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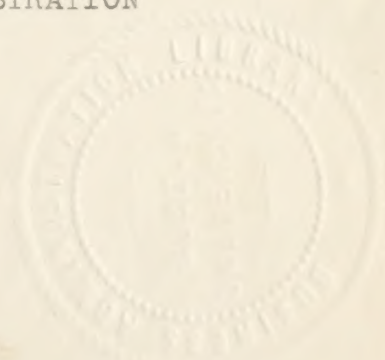
Marketing and Distribution of Frozen Foods in Massachusetts

by

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(B.S. Tufts College 1946)

submitted in partial fulfillment of
the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION



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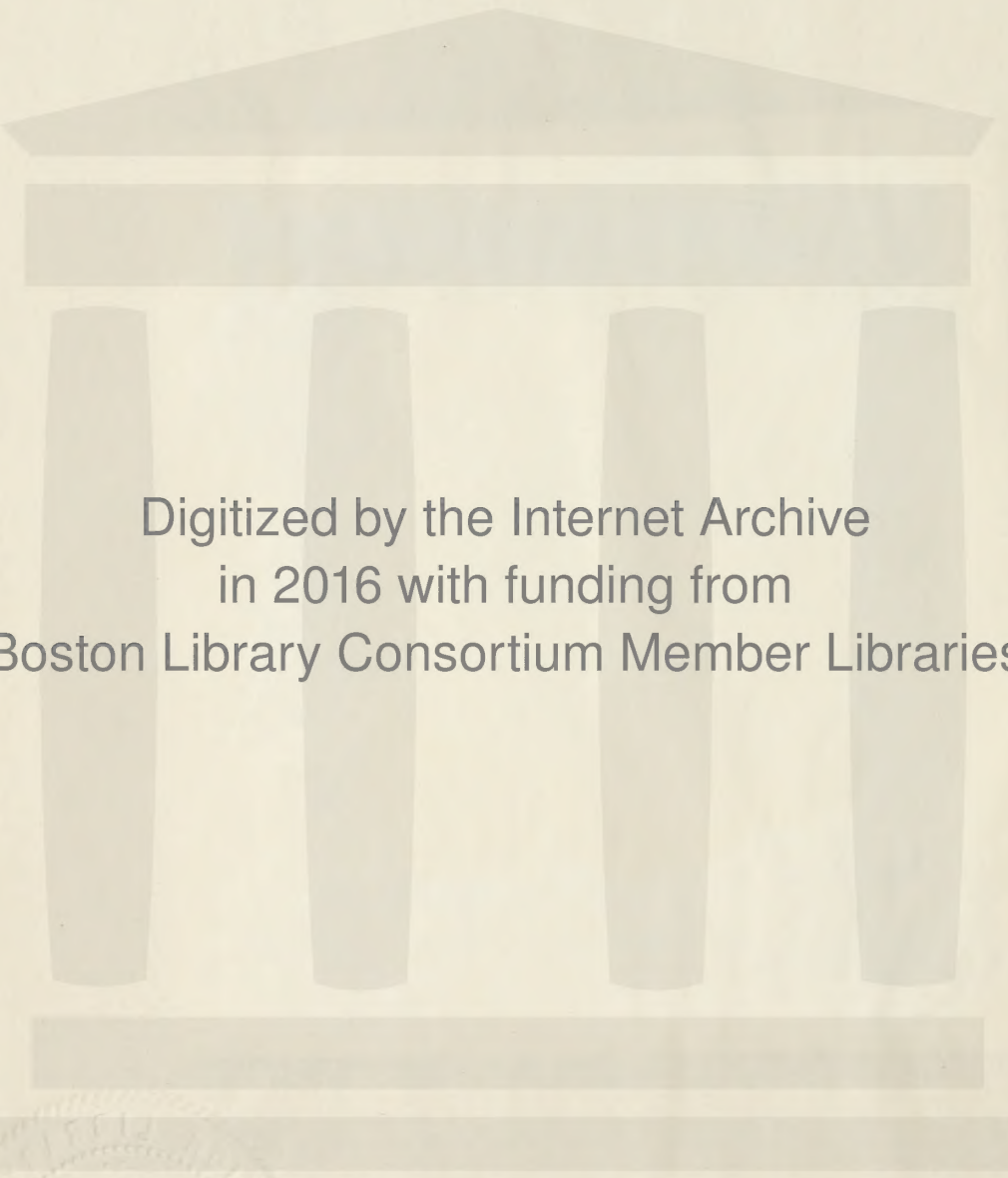
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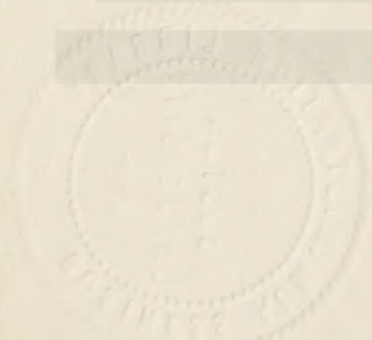
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1948, The Register
and Tribune Syndicate

"I heard so much about frozen foods—I thought I'd take a crack at them."



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CHAPTER 1

HISTORY AND DEVELOPMENT OF THE FROZEN FOOD INDUSTRY

The new frozen foods industry, although built primarily on the methods of freezing that will preserve to the greatest extent the color, flavor, and texture of the fresh products, also gives the consumer these products, ready for use, in the most sanitary method possible. Because these foods have the quality characteristics of fresh products, and to some extent the convenience of canned goods, frozen foods are now in competition with both.

Frozen foods, in the past eighteen years, have grown from a novelty specialty item of a limited number of retail outlets, to a vital part of the entire food industry, including phases of remanufacture that are not commonly known to the general public. Because of this rapid growth, the number of different uses that these foods have been adapted to, and the great many problems that have faced and are still facing this industry, we have undertaken to analyze its entire marketing and distribution system so that a clearer understanding of all methods employed might be had by every member of the frozen food family. In this way, some might find the solutions to their individual problems.

It is not the purpose of this thesis to trace the entire history of the growth of the frozen food industry in detail, but to use only enough of the facts so that the reader

may have a clear picture of the chain of events that caused these products to develop as they did, to the position that they hold today in our economy.

In the following chapters, we have offered a complete discussion of all the steps in the channels of distribution, and some of the specific problems that each of these classes of middlemen face. An attempt has been made to solve these problems and if some members of the industry can benefit by the solutions, then the purpose of writing this thesis has been accomplished.

As stated by the title, we are primarily interested in the marketing and distribution techniques that are employed in the State of Massachusetts, but in many cases, it was necessary to describe a technique that is employed nation-wide, and to point out its adaptation to this area. However all interviews were taken in Massachusetts, and the information given applies primarily to this and only this area. Sectionalism plays an important part in the frozen food industry and because of this, we have limited our discussion to one state.

We also state at this time that when we mention frozen foods in this thesis, we mean frozen fruits and vegetables and to some extent, pre-cooked meals and specialties. The subject of distribution of frozen meats and fish is an entirely different problem and is not discussed here, except for its effect on the distribution of the products mentioned above.

Early Use of the Freezing Medium (1)

Freezing food is not new to civilization for in the northern latitudes freezing temperatures have been used for the preservation of fish, game, and other meats since before history had been recorded, but this preservation could not last the year round. When warm weather came with its higher temperatures and thaws, the products would spoil and the search for fresh food would begin again. Man, at successive intervals of time, has perfected various ways of preserving food such as: with natural cold, drying in the sun or by fire, smoking, and various preservatives such as salt, vinegar, and spices. Even with all these methods, foods were kept close to their source of supply. With the introduction of canning, man could increase his distribution of foods over the world, without fear of spoilage.

Experiments in controlled freezing date back as far as 1860 using ice and salt as the freezing medium, but it was not until the introduction of mechanical refrigeration in the later part of the nineteenth century that preservation by freezing made any headway. It was found that by controlling the temperature of the meats and produce during transportation from the southern climates to the cold northern cities, their fresh appearance and texture was not greatly altered. However

(1) Most of the material used in the historical background of this chapter was taken from Harry Carlton, The Frozen Food Industry, Chapter 1

in the early days when results were not always the same or the best, these products were known as "cold storage", a name that is avoided today whenever possible.

With the development of canning and refrigeration, the preparation of food was more and more being transferred to the factory from the home. Sanitary methods of handling the foods were introduced in the packaging and canning, and the consumers accepted the new process gladly and with enthusiasm. Increased health precaution, convenience of the packaged products, and the larger variety of foods offered at all seasons of the year, were the reasons. There was some resistance given to the new methods by the more conservative members of our society and it was common to hear the criticisms of "lazy housewife" and neglected families being "fed from tin cans and paper boxes". However these foods were accepted as was inevitable and now have become a vital part of our economy.

But why freeze food? Freezing is essentially a method of preservation. It does not give the fresh article any gift of added quality or flavor. There is no advantage in the freezing of the so-called "hardware" of the produce line, like potatoes, onions, cabbage, beets, carrots, turnips, and apples, and there seems to be little advantage to the freezing of citrus fruits except in the concentrated form. Other fruits and vegetables such as persimmons and okra will

never be popular enough to create much of a market in any form. (1)

Frozen foods economic value consists in making certain foods available all year round, in the closest form that approximates the fresh condition to people who would use the product all year round, but can obtain them in the fresh state only seasonally. No matter what item was canned, dried and packaged, it has been proven that the people would prefer the fresh item when in season. How can we give them these all year round? Quick frozen foods is the nearest thing to solution of this problem developed to date.

Discovery of the Quick Freezing Process (2)

The method in which Clarence Birdseye, a Gloucester scientist who we can rightfully call the father of the quick freezing method of preserving food, is almost a legend to the industry today, but all he did was simply to apply the laws of nature in a new and different way.

In the early 1920's, Birdseye went fishing in Labrador and cut holes through the many feet of ice that covered the water during that period of the year. As he

- (1) Fortune Magazine--Frozen Foods Interium Report--Vol.34, No. 2, August 1946, P.106
- (2) Information as to the history of Birdseye, taken from The "Know How" of Telling and Selling as published by the BirdsEye Frosted Foods Corp. 1945

hauled the fish through the ice, he laid them on the surface beside him and in the Arctic cold, they froze immediately. He left them in the cold, as was the custom of the eskimo, and days later when he went to thaw them out, he found that the fish were as fresh as if they were just caught from the sea.

This started him thinking for he knew that the low temperatures were not enough as was proven in experiments by other scientists, so he decided that the secret must be in the method of quick freezing. He worked for many years to perfect a machine that would apply the arctic cold to food as quickly as possible and in the late 1920's, such a machine was developed.

The General Foods Corp. started experiments in the freezing of food in the 20's, but were unsuccessful so when Birdseye perfected his method, they purchased his patents, formed a subsidiary, Frosted Foods Sales Corp., and the date of the first pack that was ready for the public was in 1930. This product was called Birds Eye Frozen Foods, after the man who developed the method used to prepare them.

Development of the Industry (1)

- (1) Information taken from Harry Carlton, The Frozen Food Industry, Chapters 1 and 3

Though these new foods were ready for the market, distribution was then and is today, the main problem that faced the industry. In the food industry, there were channels of distribution that were already in existence, but they were for commodities that were already on the market. Here was a product that existing commodities, that were destined for retail sales, never heard of. Consequently, it was the job of the industry to build these new channels of distribution to accommodate the products that they were going to market. This required a system whereby a package of frozen foods would be kept at a near zero temperature from the time it is frozen, to the time the ultimate consumer will use the package. A system that includes refrigerated temperatures in storage, transportation, distributor storage, and retail showcase, was the problem that the frozen food industry had to face at that time.

The problem of bulk storage and transportation to points of distribution did not present as much of a problem as did the distributors and retail storage, for even before Birds Eye, fruits were being frozen in large barrels and sold to institutions who would use the product in the manufacture of such items as jams, jellies, bakery products, etc. The facilities, although very limited, were available for a start.

Birds Eye offered its first pack for sale on May 3,

1930, in the Springfield area of Massachusetts (1). There was a moderate amount of advertising that accompanied the introduction of this new kind of food, and the test proved successful. After that, the company started retail distribution in the larger cities where there was some low temperature facilities available, in the form of ice cream cabinets and freezers, and the demand for high quality fresh foods was considered greatest. Frozen foods then became an accepted member of the family of food products for consumer use.

Birds Eye was for a time, the only important packer in the institutional and retail market, and they adopted a policy of exclusive distribution points. For the institutional market, an exclusive territorial agreement was usually made with a wholesaler or jobber, well established in the business of supplying the hotel, restaurant, and institutional trade, and sold the products to them outright in mixed carload lots. The wholesaler then in turn, would resell his products in his territory, marking up his cost 18 to 20 percent.

For the retail trade, Birds Eye attempted to eliminate the wholesaler by selling direct to the retailer through branch offices in large cities, and these cities to

(1) Interview with Robert Fanning, Branch Manager of Q-F Wholesaler, Boston, Feb. 13, 1946

act as a distribution point with the stock in a public cold storage warehouse. Prices were kept uniform all over the country.

When opening a new account with a retailer, Birds Eye would rent the business a storage cabinet to store the food, saving the operator the expense of buying it. In turn, Birds Eye was to receive the exclusive use of the cabinet. This system was fine as long as they were the only major packers in the retail field, but when other packers started to enter the picture, their products soon found their way to the Birds Eye cases. Some of the retailers preferred to buy their own showcases so that they would not have to handle the Birds Eye line exclusively. Consequently, in 1938, the policy of renting the cabinets was abandoned and frozen foods were then on a competitive basis within the industry.

Honor Brand in 1937, was the second largest distributor of frozen foods, but they were distributors, not packers. They just represented a group of packers on the west coast who would pack for the Honor Brand label. The products were marketed exclusively through wholesalers in both the institutional pack and unlike the Birds Eye operation, in the retail pack as well.

At this time, we also started to see large packers brands on the market, but they were marketed through brokers and wholesalers who handled other lines of merchandise, both in the frozen and non-frozen lines.

As a result, today we see three distinct kinds of frozen food distribution:

1 - The partially integrated operation where the growers to the retailers are handling one brand exclusively, such as the Birds Eye operation and other small organizations such as the Fairmont Frozen Food Co. in the Boston area.

2 - The distributor type of operation where a group of packers will pack for one label and market their products through one distribution organization.

3 - The large packers operation where they market their products together with other packers of different labels, through brokers and wholesalers, giving both a well rounded and complete line of frozen foods, but the different commodities on the different labels.

Classes of Frozen Foods (1)

It must be realized that there are three distinct classes of frozen foods that are on the market in regard to the use that they are to be put.

1 - The large quantity pack that is frozen in barrels or large tin cans, is usually fruits that are used in

(1) Interview with Paul A. Amadon, of Paul A. Amadon & Co. Food Brokers, Boston, Mass. Feb. 2, 1948

the remanufacture of products that will be offered to the public. Jams and preserves come under this class.

2 - The institutional pack, usually $2\frac{1}{2}$ to 4 pound packages that are prepared for hotel, restaurant, and other institutional trade.

3 - The small 8 to 16 ounce package which is packed for the retail sales and the ultimate consumer use.

Frozen Foods Come to Massachusetts

Since approximately 1918, the large commercial pack has been shipped into the City of Boston by packers through brokers, the oldest of these being the Paul Amadon Co., Food Brokers, of 177 State Street, Boston. These products were stored in the Quincy Storage Warehouse until resold to the remanufacturer.

In the early part of 1929, large tins of frozen strawberries were being sold to grocers who were thawing them out and selling them to the consumer in one and two pound packages. The next year, individual one pound packages were being put up by the Fairmont Co. of Boston, and sold to the retailers. Although this was the start of the frozen fruit business at retail in this area, the merchandise was not processed by the quick freezing methods that are employed today. We had to wait for Birds Eye in order to

have mass distribution (1).

In 1930, with the introduction of quick frozen foods by the Birds Eye Company, a branch office was opened in Boston and the first test stores were located in the Springfield area of the state. The first store to carry Birds Eye Frozen Foods was Meah Grocery Inc. in Springfield which is now a member of the A. H. Phillips chain of stores (2).

Birds Eye was alone in the field until 1935 when the Albert Rickards Company, a distributor of meats, poultry, and eggs, introduced the Dewkist Brand of frozen food and later on, the Honor Brand, both nationally known products. Others soon entered the field, but none of them ever reached the size of these two large companies, who still absorb the major portion of the frozen food business (3).

Frozen Foods Today

Many people entered the frozen food business for they had vision of the glorious fortune at the end of the

- (1) Interview with John McGinnis, Sales Manager of Fairmont Foods Co., Boston, Jan. 30, 1948
- (2) Interview with Robert Fanning, Branch Manager Q.F. Wholesalers, Boston, Feb. 13, 1948
- (3) Interview with William Richards, Sales Manager of Albert Richards, Inc., Jan. 27, 1948

frozen rainbow, but they were inexperienced, did not know how to market the products, commodities that they did have were of poor quality or never should have been frozen in the first place, and they were short of capital. Consequently, they went by the wayside. A complete discussion of this subject will be given in a later chapter.

Frozen foods made a slow but steady increase in volume and use during the 1930's, consumer education was increasing, and a more diversified line was being introduced all the time. Then in 1942, the war with its government requirements and rationing and something happened to the frozen food industry.

Multitudes of people first heard of frozen foods through their inclusion on the ration lists. The war did the trick. And in 1944, the O.P.A. handed them the equivalent of millions of dollars of gratuitous advertising by derationing frozen fruits and vegetables 17 months before it stopped collecting stamps for canned goods. Now that the hitherto exotic products have thus been catapulted to the stage of mass consumer acceptance, some soothsayers are prophesying that in ten years the quick freezers will be doing a 10 billion dollar business and processing more than one half of all perishable foods (1).

Perhaps this will be true for many processors and distributors but we are a long way from that volume at this time. Between 1942 and 1945, frozen food production doubled, growing much faster than the facilities to take care of them. But quality was poor and people were buying only because

(1) Fortune Magazine, Frozen Food Interim Report, Vol.34, No. 2, August 1946, P.105

other things were not available. When consumer buying slowed up, due to the demand for top quality merchandise and price resistance, packers continued to expand output as if nothing was wrong. It is said that the war caused the physical quantity of frozen food produced to expand ten years in three, but retarded improvements in quality control five years (1).

The days of the easy selling of frozen foods are over. The evidence is in the fact that there are huge stocks piled up in the warehouses and many people are going out of business because they are not moving (2). Will frozen foods regain the position that it lost because of this distressed merchandise and find the place in our food business that it would like to hold?

In our analysis of the industry that follows, we have attempted to answer this question.

- (1) Robert Morrison, Robert Morris Associates - "Some Factors to be Considered in Making Loans to the Frozen Food Industry" - Vol.29, No.3, Aug.1946, P.4.
- (2) Business Week, "Frozen Foods Enters Selling Era", Jan. 4, 1947, P.28.

CHAPTER 2

BROKERS, MARKETERS, AND DIRECT SALES BY PACKERS

Although there are no packers of frozen foods that amount to anything in this area that we are studying, it is necessary to understand the operation of the packer in order to fully understand their function in the distribution system of the frozen food industry.

The Packer (1)

Current estimates indicate that there are approximately 1000 frozen food packers processing under private or company brand labels in this country. As a primary factor in the industry, the responsibility of quality control of the production of frozen foods rest solely with the packer and for this reason, the future of the industry rest with the fact that the packer must be able to market his products at a price that will insure quality in every package of frozen foods. The freezing process adds nothing to a product and cannot improve a poor product. It must be recognized that the highest quality of fresh fruits and vegetables will produce the highest quality of frozen foods.

(1) Based on interview with John Merrett, District Manager of Pratt Frozen Food Inc., Quincy Market Bldg., Boston, Feb. 6, 1948.

Because of geographic locations, packing seasons vary between four months in the east and year round operations in the west but both operations are very similar. The packer, at the beginning of the growing season, enters into contracts with the growers in his area for the seasons crop, and in some cases actually furnishes the grower with plants or seeds to aid in the control of quality. When the harvest season comes, the packer takes his crop, harvests it, sorts the crop for quality, and freezes the products. The method of freezing may be one of three methods:

- 1 - By brine immersion
- 2 - By the contact plate method, developed by Birdseye
- 3 - By the air blast method now used by most of the large packers

The first two methods are used largely in the freezing of the 12 ounce to the $2\frac{1}{2}$ pound packages for retail and institutional use while the latter is used to freeze commodities loosely for subsequent repacking in 30 and 50 pound cartons and barrels. The -35 degree F. temperature is needed to fix the flavor and food value as quickly as possible.

The actual marketing of the products is discussed later on in this chapter, but in this brief analysis of the packing operation, it has been shown that they must

be considered because of their vital part in the distribution system on the frozen food industry.

The Broker (1)

In the frozen food industry, there are three methods in which a packer may market his crop in the different distribution points of this country: the broker, the marketer, and by direct sales to distributors by the packer himself without the aid of a middle man. Each of these methods are important in their own right, and there is a place in the industry for each, but because of the complex type of market that frozen foods cater to, some are used more than others. Consequently, in this paper, we are going to classify these methods in the order of the volume of business that they absorb. This does not mean that one is more important than the other, for to the individuals in the industry that each serve, it would be economically unsound to use any other kind of middleman to accomplish their purpose. Each performs his duty and is necessary to the industry, no matter what his size.

(1) Information on Brokers based upon the following interviews:

- a. John Lutz of J.Lutz & Sons - Food Brokers, State St., Boston, Feb. 6, 1948
- b. George Amadon of Paul A.Amadon & Co., Food Brokers, 177 State St., Boston, Feb. 10, 1948

The first of these methods is the Broker. Now just what is a broker, and what are his duties in regard to the frozen food industry?

"A broker is an agent who specializes in selling or buying for his principal without actually having possession of or title to the goods, and who receives his compensation in the form of commission--a percentage of the value of the goods sold or a flat rate per unit of goods bought or sold." (1)

In the frozen foods industry there are three types of brokers that function, each with different duties and each necessary to the industry. They are:

- 1 - The Central Point Broker
- 2 - The Field Broker
- 3 - The Distribution Point Broker

The Central Point Broker

While the industry was still struggling for consumer acceptance, and building its distribution lines, diversification of products was almost an economic necessity. In order for a packer to get a wholesaler to offer his products on the market, he had to present a full line of frozen foods, or else the wholesaler would look elsewhere for goods to sell.

(1) Converse and Huegy, Elements of Marketing, Prentice-Hall, Inc., N.Y. 1946, P. 175

But now small packers have come to realize that specialization of products would increase the quality of their pack, and also develop a more economical operation for themselves. It also offered an opportunity of offering their brand to a greater percentage of the market even though it would be on one product only. Because of these small packers, the "Central Point Broker" came into existence.

The "Central Point Broker" is always located in the center of a packing area, usually on the west coast, and he represents a number of small packers who want to sell their pack under their own label. By having each packer that he represents pack just one or perhaps two items, the broker can offer his outlets, i.e. brokers and distributors in other parts of the country, a high quality and diversified line of frozen foods. This type of middleman deals mostly with the $2\frac{1}{2}$ pound institutional package, but he also will have the small retail size package. It must be noted that almost every product will have a different label on it so the retail packages are not too popular; whereas in the institutional package, the brand does not mean very much but the quality of the product must be of the best.

These "Central Point Brokers" got their start at the beginning of the war when canned goods became difficult to obtain, and people would buy anything as long as it was

food. They maintained their quality but their products were unknown and their prices were a little higher than the more known brands of frozen foods. Now that frozen foods are back on a competitive basis, these small packers are returning to their former practice of packing for a nationally known brand and leaving their own brand fall by the wayside. Some are still operating as before with the "Central Point Brokers", but it is almost entirely with the institutional package, and the number of packers operating this way reduces each year.

Field Brokers

The second type of broker that is to be discussed is the "Field Broker". This type of middleman locates himself in the center of a growing area for a special product, but not too far from the market that he sells to, such as upper New York State for apples that will come to Boston. He buys in large quantities usually on the spot market when the products are needed in a very short time and has his purchases shipped to their respective buyers. The broker always represents buyers in this type of an operation and sometimes the fate of entire business depends upon his ability of getting the right amount and quality of a commodity at the right price and at the right time. For this reason,

a "Field Broker" must have many years experience, a good reputation, and a successful past operation in order that people will have enough confidence in his decisions as to their purchases, which are always sight unseen for the ultimate buyer. However this type of operation is limited to the field of large bulk purchases that are to be used in re-manufacture of other foods.

In this area, "Field Brokers" do not locate themselves because there is no concentration of a special product, but he buys for many different types of businesses that are located here. Although practically all food brokers in Boston have corresponding field brokers, these middlemen also buy for large preserve manufacturers, bakeries, and large institutional users. He is one of the oldest types of brokers and no matter which phase of the business cycle we were in or will be, there will always be a need for and always has been a need for the "Field Broker" in this phase of the frozen food industry, but it must be remembered that the most vital part of his entire operation is his reputation.

Distribution Point Brokers

The third and most common type of broker in this area, is the "Distribution Point Broker" or the "Frozen Food

Broker" as he commonly known in the trade. He is the middleman that is located at the distribution points, such as Boston, the local representative of the packer that he represents, and the one who contacts for the sale of the pack to the distributors and large institutional users in this area.

Function of the Broker

This type of broker has two main functions to perform for the frozen food industry

1 - Because he represents both buyers and seller. as is stated in the definition of a broker, he must find either buyers and sellers on the spot market when there are goods that are being offered by one of the parties. For example, if a client of the A.B.C. Food Brokers of Boston had 400 cases of frozen strawberries stores in the Quincy Storage Warehouse, and he feels that he will not be able to absorb them in his operation, it is the job of the A.B.C. Food Brokers to find a buyer for the strawberries, arrange for the transfer of title, and collect commission which is usually a certain percentage of the sale. The two parties involved do not have to be situated in the same section of the country, for incidents can be shown where one party has been on the west coast and one party has been on the east coast. There may be other corresponding brokers involved, but in the performance of this service, the Distribution Point Broker does live up to the full definition of the word

Broker.

2 - By the performance of the second function, which constitutes the major portion of his business, the name Broker is actually a misnomer. According to the accepted definition of marketing men, this middleman is actually a Manufacturer's Agent or in this case a Packer's Agent.

The Manufacturer's Agent is a functional middleman who sells part of the output of a certain manufacturer on an extended contract basis. They are limited in respect to territory.....prices and terms of sale. Their principal duty is to sell goods.....although they may also warehouse some of the merchandise..... They usually represent two or more producers whose goods are non-competitive..... (1)

In the frozen food industry, these brokers are located in the distribution points of the nation and act as the sole agent of the large packers that they represent in the area. They make all contracts for the packers and handle all complaints for them. These brokers may represent one or more large packers, but they offer the same services to them all. Because of these facts, we shall classify them as Packer's Agents rather than Brokers but because it is accepted in the trade that they be called Brokers, we shall refer to them as such.

(1) Converse and Huegy, Elements of Marketing, Prentice-Hall, Inc. New York 1946, P. 177

Method of Operation

During the selling season, which is usually about two months before the planting season begins, the Broker contacts his outlets in the interests of the specific packer in regard to the products handled, and contracts for S.A.P. (Subject to Approval of Price) orders with the outlets according to their estimated needs during the coming season. The S.A.P. order means that the price of the commodity will depend upon the existing price at the time of delivery and not the price at the time that the contract was made out. However either party may reject the price or the quantity contracted for, when the price is quoted. The S.A.P. order acts only as an estimate of how much the packer should contract for with his planters.

As a direct result of the S.A.P. orders, a packer will contract for his crop among the growers in the area. If the crop is not as large as was expected, and the total output of the packers is not enough to cover the S.A.P. orders, a proportionate amount is sent to each buyer, depending upon the size of the contract; notification being made through the broker. However, if the crop is better than average, either a price concession will be made so that existing buyers will absorb the excess crop, or the broker must find new buyers for the excess products.

When the crop is packed, the packer will freeze the

the products and pay for the first month's storage on the west coast, for all goods must be stored at least one month so that it may be seen that the process has been performed properly. After this month is up, all storage and transportation charges are charged to the buyer. All frozen foods are sent F.O.B. point of packing and all terms of the sales are NET. There are no trade discounts in the Frozen Food business.

After the final contract for the pack has been made, and the price of the shipment is decided upon, the buyer notifies the seller as to which bank he wishes the transaction to take place with. When the goods are shipped from the west coast, a "Consign to Order Notify" is given to the bank specified by the seller. The "Consign to Order Notify" consists of a sight draft on the bank (a draft that must be paid by the buyer when it is presented to him) plus a bill of lading which is given to him when the draft is paid. When the buyer gets the bill of lading, he indorses it and gives it to the railroad.

This bill of lading is one of the most important parts of the entire transaction for a railroad car cannot be opened unless the bill of lading is in the hands of the railroad officials. If the car is opened before it is received, then a \$1,000. fine per car opened is imposed on the railroad. If cars are not opened on their arrival and the

contents stored properly, there is a chance that the contents may thaw out while the car is on the siding due to improper refrigeration, or neglect by the railroad officials.

However this law applies in all parts of the country except Boston, because of the Quincy Storage Warehouse (1). When a car comes into Boston, the Quincy Storage Warehouse has the right to break the seal of the car and store the contents in the warehouse before they have the bill of lading in their possession. The reason for this is that Quincy is a terminal point, the first in the country, and because of railroad conditions in Boston, they established a precedent and have never been stopped from the practice or questioned about it. This service is invaluable to the owners of the frozen foods that come to Boston, for it gives them a few extra days in which to pay their draft if they are short at the time of the shipment, yet they are assured that the food will be stored properly and decrease the danger of thawing.

Classes of Railroad Cars

- (1) Based on an interview with J. Prescott of the Quincy Storage Warehouse, Inc. Feb. 13, 1948.

When the cars are contracted for and they are loaded on the west coast they are classed in one of the following ways:

- 1 - Full Cars--the entire car is filled with one commodity and bought by one buyer.
- 2 - Mixed Cars--the contents of the car have many different commodities but are all bought by one buyer.
- 3 - Pooled Cars--two or more buyers contract for a car and split the contents between them.
- 4 - Broker Cars--the car contains shipments destined for different places along the route and stopovers are made to unload portions of it.

Criticism of Brokers

There has been some criticism that the broker is an unnecessary middleman and that he could be done away with. His fees of 4 to 5 percent of the sales could be used to a greater advantage in advertising or in savings in price if the packers would sell direct, as some are now doing, but as has been shown, he is a vital part of the distribution system and without him, frozen foods could not receive the widespread distribution that they are striving for.

Perhaps he does not push sales as hard as a packer

would like him to, but it must be noted that a broker must act in the best interests of both parties he represents. His business is based upon his reputation, and if the products are not of the quality that is desired, it is up to the broker to state the case as such and receive the best price that he can, and not misrepresent, as many packers would like him to do. During the war years, small packers had a field day and sold products on the market at high prices and of questionable quality. The brokers did not misrepresent the products, but still had no trouble in selling them. Now when high quality merchandise is offered, some packers of questionable merchandise or whose brands have a bad reputation, object to the methods that are employed by the brokers in selling their goods to the distributors, if they agree to sell them at all. The packer does not realize that the broker represents the best interests of both parties and his reputation depends upon it.

The brokerage is a highly honorable profession, and food brokers work hand in hand in order to aid one another and to get the best price possible. It is not uncommon to find one broker reselling a quantity of merchandise to a customer of another broker and both sharing the commission, when the second broker had no merchandise and there was a need for it at that time. These men realize that they will stay in business only as long as their re-

spective clients stay in business, and it is their job to aid them as far as possible.

Marketers (1)

Because of the feeling that the brokers were unnecessary, and that a more successful operation could be instituted without them, different types of businesses started to appear around 1940 that were designed to eliminate the broker and have a more aggressive salesforce at work for the parent company. One of the largest of this type of an operation was a group called the Marketers.

These Marketers were not growers, packers, or brokers, but rather based the main objective of their operation on the marketing of frozen foods. They usually consisted of a group of businessmen who were primarily interested in gaining a foothold in the frozen food industry, without the aid of a broker, or assuming too much risk on their own part.

(1) Based on the following interviews:

- a. John Merrett, District Manager of Pratt Frozen Food, Inc. Quincy Market Bldg., Boston, Feb. 6, 1948
- b. J. Prescott, Quincy Storage Warehouse Inc., Boston, Feb. 13, 1948
- c. R. Fanning, Branch Manager Q-F Wholesalers, Birds Eye Frozen Foods, Boston, Feb. 13, 1948.

Method of Operation

The method of operation of these marketers was different from anything that had ever before been instituted in the frozen food business, and it was successful to a certain extent.

During the contracting season, the marketers buying groups would go into the producing areas and contract with the growers and the packers for a specific amount of their crop, to be packed under the marketers label. They had no producing organization of their own and everything was done by outside contracts. When the pack was ready for shipment, it was sent to a central distributing point, designated by the marketer, where the goods are stored in a public warehouse waiting to be resold. In the east, this point was New York.

Now these marketers had contracts with other distributors at different points in the country, such as Boston, who would agree to the following terms by a contract:

- 1 - To handle the marketers brand and only the marketers brand of frozen foods.
- 2 - To purchase all their frozen foods from the home office.
- 3 - To absorb a certain percentage of each pack purchased by the parent company. This was the first of the

points that were dropped.

4 - To pay the prices that were asked by the home office. Usually concessions were made for if they were not, the organization would not have lasted as long as it did.

When the branch distributor, as we shall call him, received and paid for his goods from the parent company, he had to store them again in a public warehouse such as the Quincy Storage Warehouse in Boston, give the stock an additional markup, and then resell it to his specific outlet in the institutional and retail field. Such was the operation of the marketers.

This type of an operation started during the war years when food was at a premium, and even the brokers were having difficulty in finding enough frozen products to fill the demand of their distributors. If a local distributor had a contract with a marketing group, then he was more or less assured of enough food to meet his demands. Of all the groups that were organized in the country, only two found their way to Boston, and both have undergone a reorganization program since they were introduced here in 1941.

While food was at a premium, these marketing groups flourished, but when frozen foods went back to a competitive basis, things happened. Under the original plan, a parent organization would buy the pack from the packer, pay for it, and then assume the risk. They would then resell the

pack to the branches who would have to add an additional markup, pay additional transportation and storage charges, and then resell the goods. Here existed one too many middlemen, one too many markups, and an extra transportation charge for the foods. This tended to increase the retail price to a point that it did not appeal to the public, at the suggested markup of the main office. The result was that the branch distributor, who had to buy his food from the parent company and still absorb a certain percentage of his pack, had to work on a smaller markup than his competitors and still had trouble in turning over his merchandise. Even though a broker gets a commission, it does not amount to as much as the additional markups and charges that were required by the marketers system.

When frozen foods went from a sellers to a buyers market, there was one and only one way for the marketers to turn, and that was towards the reorganization and the elimination of the extra middleman. However they realized this fact, a great many of their branch distributors went into bankruptcy, because they could not turn over their merchandise fast enough or get the capital that they needed. Both houses in Boston fell into this class of failures. It must be noted that it was the branch distributors that failed, not the parent company.

Reorganization in this state took two different

forms and it remains to be seen which will be the more successful, if either will be at all.

1 - Company A, after the branch went into bankruptcy, opened a branch office in this area, sold out all the stock with the old label on it, adopted a new label that had a good reputation on the frozen food market, and continued to do business from their central distribution point in New York, through their branch office in Boston. Stock is now coming directly from the west coast to Boston, but possession, risk, etc. are now assumed by the parent company. There is no additional or unnecessary markup.

2 - Company B, after its branch distributor went into bankruptcy, sold out the distressed stock, but continued to do business. All sales were made through the New York office by salesmen who made their headquarters there, but the stock was located in the Quincy Warehouse and shipped from there to the outlets in this area.

Which of the two systems is the best we cannot say, except that there is no place in the industry for the marketers under their old set-up. It remains to be seen if there is a place for them under their new system which is still very new.

Direct Sales (1)

The second method that is designed to eliminate the broker, is that of direct sales of the packer to the distributor or retail organization, whichever gives him the most business. Discounting the Birds Eye operation which is an intergrated organization and will be discussed completely in the next chapter, direct selling only amounts to less than 10% of the total amount of frozen foods that are sold in this area.

This type of selling has been rather successful in parts of the country that are near to the growing areas than New England. Because of the high brokerage fees, 4 to 5%, Some large packers and a few small ones have attempted to eliminate the broker's services altogether, preferring to establish their own sales organization. They figure that the commissions that they save, could help defray advertising and sales expenses and they feel as if there is an advantage in having salesmen concentrate on one brand or a few brands, rather than spreading their efforts over many (2).

(1) Based on the following interviews:

- a. John Merrett, District Manager of Pratt Frozen Food, Inc. Boston, Feb. 6, 1948
- b. George Amadon of Paul A. Amadon & Co., Food Brokers, Boston, Feb. 24, 1948

(2) Frozen Foods Enter Selling Era, Business Week, Jan. 4, 1947 Page 28.

However in Massachusetts, unless they represent local packers who do not supply enough frozen food to help or hinder the market in one way or the other, all direct selling that amounts to anything is done through the mail. There is not enough business in this area to support a salesman on a full time basis. Many have tried to make a go of it, but they have failed. Perhaps there are some in business now, but they will not last for the same reasons that the others failed.

The method of operation is very simple. A packer sends a price list of commodities offered and the distributor orders accordingly. This system is not too popular as shown by the low volume of business that it absorbs in this area. The reasons are obvious. If there is a complaint, then all correspondence must be done by mail across the country, which is not the most convenient method to do business. Secondly, a distributor is buying blind without any reputable person backing up the product such as a broker, and with the experience that some of these men had during the war, it is not surprising that they do not want to take a chance on unknown merchandise. Most of the time, the prices that are quoted by the broker are about the same as those of the direct packer, so in the long run, there are few advantages in buying direct at the present time. If there is an exceptional offer, one at great savings and the

merchandise is of the desired quality, then the distributor in Massachusetts will deal directly with the packers.

There has been a tendency in the past few months to fine correspondence from the Central Point Brokers who are trying to push a little business on close out merchandise in this area without the aid of the local Frozen Food Brokers, but this is only a temporary condition due to the reorganization program that the entire industry is going through now.

Eventually it is believed that packers will make direct sales to the large users such as chain stores and institutions, but today because of market conditions, these people feel that it is safer to deal through brokers, marketers and distributor-wholesalers.

CHAPTER 3

DISTRIBUTORS, INDEPENDENT AND INTEGRATED (1)

Actually in the frozen food industry, the middleman that is called the distributor in many cases, is actually nothing more than a wholesaler of frozen foods. The term "exclusive distributor" is more or less a misnomer in many cases.

A wholesaler is a merchant who sells to other middlemen and industrial buyers, usually in a fairly large quantity.....and he does not sell to the ultimate or household consumer (2).

There is a reason why the name "distributor" has stayed in the industry so long. When frozen foods were first being brought into the competitive market each large packer who had a brand to offer felt that there should be one and only one firm handling his products in an area, so that the most possible sales effort that could be obtained at that time could be placed on his products. The first distributors were limited in volume of sales and territory

- (1) The information in the first part of this chapter, except for other references given, is based upon personal interviews with the following people:
 - a. William Richards, Sales Manager of Albert Richards, Inc. Boston Jan. 27, 1948
 - b. John McGinnis, Sales Manager of Fairmont Foods, Inc. Boston Jan. 30, 1948
 - c. John Merkett, District Manager of Pratt Frozen Foods Inc. Boston Feb. 6, 1948
- (2) Converse and Huegy, Elements of Marketing, Prentice-Hall Inc. N.Y. 1946, P.241

that they covered, but in their territory, they did have the exclusive distribution of their products.

However as the frozen food industry grew, it became more evident to the packers who grew with the industry that some firms that were representing them had become incapable of handling the territory that was allotted to them, alone, either because of limited facilities, or because of more concentration on other products other than the packers'. We then found that territories were being cut down and new distributors were coming into existence. There have been instances of territories actually overlapping.

Then again, we found that some firms that were representing a packer, and were limited in the volume of goods that they were allowed to sell, found that their facilities had outgrown the one line that they represented, and soon their salesmen were found selling two or perhaps three different brands of frozen foods; selling them side by side, commodity against commodity, or supplementing one brand with another when there was a shortage of one.

Although there are still some companies that still have the exclusive distribution system as we first mentioned, the general tendency today in this area is away from this type of operation and towards the general type wholesaler of a number of brands. The exclusive distributors are found only with the small packers and the integra-

ted organization, but the name of the distributor has stayed with the industry to refer to them all (1).

In the beginning, Boston was the central distribution point for all New England, but soon we found that other distributors were situating themselves in such cities as Springfield, Fitchburg, and Worcester.

Functions Of The Distributor

The functions that are performed by the distributor are the same as are performed by any service wholesaler in the food business. They are as follows: (2)

- 1 - Selling
- 2 - Storing
- 3 - Dividing
- 4 - Financing (by carrying stock and selling on credit)
- 5 - Risking
- 6 - Transporting
- 7 - Recording
- 8 - Packing
- 9 - Buying (the most important of all the functions)

To this list, the frozen food wholesaler should add refrigeration, for he must keep the stock at a zero temperature at all times, even in the transportation to the retail outlet. This is an additional charge and a service that he must per-

- (1) Based on interview with John Lutz of J. Lutz and Sons, Food Brokers, Boston Feb. 6, 1948
- (2) Converse and Huegy, Elements of Marketing, Prentice-Hall Inc. N.Y. P. 250

form. It would seem rather wasteful if a carlot of frozen food came all the way across the country at a constant zero temperature and then loaded on an open truck and allowed to thaw out in transit to the storage place. This was rather common in the first days of distribution and surprising though it may seem, the practice has not entirely disappeared in the State of Massachusetts. In the early days, when a car was sent across the country, it was a guess as to what condition it would arrive in because of the limited refrigeration facilities of the railroads, but today that risk has almost been done away with through the cooperation of the railroads, with more frequent icing stations along the way, and the purchase of more up-to-date equipment.

The main function that the distributor performs for the packer is to buy and store the stock in the area in which it is to be distributed, break it up and resell in small quantities. His main service to the retailer is that he will make frequent deliveries and resell in small quantities, for as will be seen later, most of his retail outlets have no facilities for carrying a large inventory. All their stock is stored and displayed in their frozen food cabinet. To his institutional trade the main service that the distributor offers is his frequent deliveries, for although these institutions do have the facilities for storage, they are usually not large enough to store a large

variety of products in any great quantity. Because of this, an institution must be near a source of supply. If the distributor is too far away to make frequent trips, an arrangement is made with a locker plant or an ice cream plant to store the goods for the company. Without this added service, frozen foods would never find their way to many of the outlets that now carry them.

Although every firm in Massachusetts that has taken on the distribution of frozen foods had some sort of facilities beforehand to warrant the taking on of such a foreign item to their own present operation, increased sales in their original line have resulted from the addition. Because of their location and refrigeration facilities, it seemed only natural that frozen foods should be added to their operation. To mention a few for examples, the Albert Richards Co. and the Fairmont Co., both of Boston, now distributors of frozen foods, started their operation with the distribution of meats, poultry, and eggs. The First National Stores use the facilities of the Bay State Ice Cream Co. to distribute the stock to their respective stores, and the Metropolitan Ice Company in its home delivery service, had the trucks and the facilities of its ice-making plant. It can be shown that practically every distributor had some facilities to start and that they all have enlarged on them as a direct result of frozen foods.

Method of Operation

The method of operation of the non-integrated independent distributor is practically the same for all firms that are participating in this step of the distribution of frozen foods in this state.

As was stated in the previous chapter, these middlemen buy from packers through brokers. When they place an S.A.P. order with a broker they realize that at that time they are contracting for an entire year's inventory of that particular commodity, for they are packed only once a year. The distributor must order enough to be sure that he will be able to supply his outlets the entire year round. If he loses out on a shipment, then he must buy on the spot market, which is not always the easiest and cheapest thing to do, or else he will not be able to supply his outlets with that particular commodity until the next packing season (1).

When the goods are shipped from the packing area, they come into the Quincy Storage Warehouse in Boston, or the Granite City Warehouse in the City of Quincy, where they are stored in bulk.

New Methods of Payment

The method that was mentioned in the chapter on

(1) Based on an interview with John Lutz of J.Lutz and Sons, Food Brokers Boston Feb. 6, 1948

brokers on the payment for a shipment of frozen foods, is, of course, the most desired method, but because of pressure brought on the packers by the distributors as a result of the market conditions over the past two years, new methods of payment have been instituted in order to grant more credit to the distributor who is in need of funds, or distressed in other ways. A four method that is offered by a large packer is as follows: (1)

1 - Payment for shipment upon the receipt of the draft.

2 - Delayed billing for the entire shipment but custody goes to the buyer upon arrival of the goods.

3 - Payment for stock as it is taken from the public warehouse. Custody of the shipment to remain with the packer, but all transportation and storage charges will be assumed by the buyer.

4 - Delayed billing in regard to the operation of number 3.

All packers have allowed similar plans in order to help the distributor. Because of the more lenient methods, more distributors have found themselves in a better finan-

(1) Method of payments that are offered by Honor Brand Frozen Food, of the Stockley Van Camp Co. Inc. as described by George Amadon of Paul A. Amadon and Co., Food Brokers Boston, Feb. 18, 1948. This method is very similar to methods offered by other packers, but is used as an example.

cial position to aid his retailers with more credit, and to carry a more complete line to offer them.

Although every distributor in this area uses the facilities of the public warehouses, only those that do not have sales offices in Massachusetts use the facilities of the warehouse for a breakdown room to fill their orders. These are very few in number (1). The others, which constitute practically the entire industry here, have their own breakdown rooms in their own plant. The firm's trucks take the stock from the public warehouse as they need it, bring it to their own plant, which vary in size from a freezer that can carry a three-months supply to one that has only enough for a two-weeks supply. The stock is then stored there at the plant. In the breakdown room orders are filled and sent out to the retail and institutional users by refrigerated truck.

Although some companies in the Massachusetts area have their own refrigerated trucks, some companies have found that it is more economical for them to use the facilities of the U-Dri-Vit trucks and pay the rate per mile. However, when the U-Dri-Vit trucks are used, shipment is made to the most economical point on the truck route and then it is transferred to parcel post or railway express for further shipment in insulated bags. A great many of the

(1) Based on interview with J. Prescott of the Quincy Storage Warehouse Inc. Boston Feb. 13, 1948

rural areas get their shipment in this way. When a complete survey is made however, it will be shown that the number of companies that use the U-Dri-Vit trucks more than double the number that own their trucks. These companies feel that the added expense of renting a truck is worth it for they do not have to maintain the machine.

Many companies feel that to operate in a greater radius of thirty-five miles from their point of distribution is not economical for their type of operation while others feel that if they go out into the area where there is not much competition for the business that they can do their best job. So in this area, we have two schools of thought and two different types of business that the local distributors are going after.

Salesmen

In the frozen food industry, each firm that is dealing with the distribution of the products employs two different classes of salesmen, the retailer's salesman, and the institutional salesmen if they are dealing with that type of trade. However before a man is allowed to go out in the field to sell frozen foods, he must first undergo a

training period that usually consists of the following: (1)

1 - A week of office work to learn the bookkeeping and the billing of the company.

2 - A week of actual work in the storage and the breakdown rooms.

3 - A week of traveling on a truck to see the actual distribution.

4 - A week of traveling with another salesman to see the sales procedure.

Even with this meager training, for an inexperienced man is hardly equipped to sell frozen foods after he completes it, there are some firms that do not give a man even that amount. Even the experienced salesman is not equipped with the proper amount of intelligent information to enable him to do a good job of competitive selling. A man must get his information where he can, and oftentimes he does not get the right kind of it to help him in selling frozen food to the next middleman. Some of these men either purposely or through no fault of their own, have done more harm to the frozen food industry than they have good, but most of the time it is the fault of the employer. The men are not trained or are they equipped properly.

Institutional salesmen contact the hospital, hotel,

(1) Program that is used by Pratt Frozen Food Inc. and the Albert Richards Co. of Boston

restaurant, industries, etc. and take their orders. Brands do not mean too much in this phase of the business, but quality is the main selling point. Because of this, it is not uncommon to find a salesman selling a brand that he does not usually carry, but that his company has bought on the spot market for a price. This salesman also makes contact with the storage houses in the out-of-the-way area, to store the stock for a large institution, and deliveries are made to the place of storage. For example, Smith College in Northampton, Massachusetts is a large user of frozen food in its dormitories and lunch rooms but they store the bulk of their stock in the Northampton Frozen Food Locker Plant under an agreement with the plant (1).

Retail salesmen contact the retail trade, take the orders and make sure that they are filled. Because frozen foods are now on a competitive basis within their own industry, it is up to the retail salesman to sell his products through quality and service. He dresses the cabinets, stores and arranges them, illustrates dealers aids, helps in the advertising and makes sure that deliveries are made to his customers often enough so that the dealer's cabinets are always full.

When a salesman opens a new account, it is up to

(1) Based on an interview with Franklin Jones, owner of the Northampton Frozen Food Locker Plant Inc. Northampton, Mass. Feb. 5, 1948

him to make sure that the store is the right type of store to handle frozen foods, but it may be noted that only Birds Eye will refuse to sell a store. Others will try to discourage the operation, but they will never refuse to sell. This is not a healthy situation, but nevertheless, it exists (1).

Seasonability of the Market

First of all, we must realize that frozen foods are definitely a seasonal item, but the season depends upon the size of the package. In the small retail package, we have an item that supplements fresh produce, and to some extent, substitutes for it when certain items are out of season. Consequently, the market season for this size of package is from the first of October to the end of April. From May through September, its market is very small.

But while there is a demand for the institutional size package all year round, the greatest volume is sold during the season of May through September, because of the resorts and summer establishments that prefer to use the frozen foods to the fresh. By using frozen foods they cut down on their waste, always have an ample supply in case of emergency, and find it convenient to store when they have the facilities.

(1) Confidential Source.

It is this summer trade that keeps a great many distributors in business, for without it, the loss in volume of the retail pack would cause them to go out of business, as has been proven during the past few years with some of the small distributors.

The Birds Eye Operation (1)

Although the organization of the Birds Eye-Snyder Frozen Food Corporation, a division of the General Foods Corporation, involves an operation from the grower's to the retail sales, in Massachusetts their primary function is that of distribution through their primary office of the Q. F. Wholesalers in Boston. For this reason, in this area they must be classified as distributors, but their type of operation is so different from others that we have discussed it is necessary for clarity to study it separately.

The Birds Eye-Snyder Frozen Foods Corporation is a partially, vertically integrated organization in its entirety. The organization includes growers, packers, supervisors, central sales offices, wholesalers, and salesman, but because their output is so large, their extensive facilities are not adequate to fulfill the demand for their prod-

(1) Based on an interview with Robert Fanning, Branch Manager of Q.F. Wholesalers of Boston, Feb. 13, 1948

ucts. Consequently, it is necessary for the company to have contracts with outside sources to fill in the excess that they need to satisfy their distribution wants. For that reason we state that they are a partially integrated organization.

Method of Operation (1)

When Birds Eye is planning a pack for ultimate sales, they do not start with the harvest as so many packers do, or even with the planting, but actually with a laboratory analysis of the soil that is to be used, whether it is their own, or contracted for. After the selection of the land is made, the grower is supplied with the proper fertilizer to treat his soil and with the seeds or plant, depending upon the case and the product. When the crops are ready to be harvested, Birds Eye arrives with a crew of trained personnel, harvests the crop, sorts the different products for quality, and freezes them in less than five hours after the crops were picked. All this is done in their portable freezing apparatus that was brought to the location for that purpose.

- (1) A great deal of information used to supplement the interview was obtained from The "Know How" of Telling and Selling, published by the Birds Eye Co. in 1945.

This system of supervision, sorting, etc. is what is termed in the industry as quality control. The Birds Eye people were the first to institute it in the frozen food industry, and is still far ahead of its nearest competitor in the carrying out of quality control. It is not that the other companies do not know about quality control, for they all practice it to some extent, but there are various reasons why they are not as extensive in their operation and efficient as the Birds Eye Company.

1 - Quality control is a very expensive proposition and adds to the cost of the individual package. Birds Eye, because of their reputation, cannot afford to let down on quality, so they take a smaller markup on each package but make up their profit on volume sales. It is true that the Birds Eye prices are always a little higher than the other brands of frozen foods, but the name Birds Eye has become synonymous with that of frozen food and quality so the buyer does not mind paying a little more if he can be sure that he is getting the best. Other companies are not large enough to do this (1).

2 - In many cases where there are no company owned growers, products are bought on the open market, and quality control is left up to the farmers themselves, who

(1) Based on an interview with George Amadon of Paul A. Amadon & Co., Food Brokers, Boston, Feb. 18, 1948

know very little about the freezing of food. It is a fact that a product that is to be frozen must be treated differently while being cultivated than a product that is to be sold fresh. The real test comes in the storage period and though the article may freeze all right, it may break down and decay during the storage period. Birds Eye has spent a great deal of money in research, in this phase of the frozen food system and have their products grown according to their findings. Other frozen food growers and packers, although their products are good, and in some cases excellent because of their methods of buying and growing, do not have a uniform crop as yet. Much progress has been made in quality control, but there is still room for a great deal of improvement, if other companies wish to attain the position in the frozen food industry as that of the Birds Eye Company (1).

Under the Birds Eye system, we find scattered plants all over the country rather than a central locale to concentrate all their production. Because of their volume, they cannot afford to risk the chance of a poor crop spoiling the sales of an entire commodity for an entire season. For example, if peas produced a light or a poor crop in the pacific northwest, next season Birds Eye plants in other pea-growing areas such as New Jersey and Maine can meet the

(1) Based on interview with George Amadon, of Paul A. Amadon & Co., Food Brokers, Boston, Feb. 18, 1948

deficiency. In this way, they are assured of a steady flow of the commodity all year round.

SALES

The Birds Eye Corporation operates a central sales office in New York from which all allocations to the branch offices are made. It is in this office that the entire Birds Eye pack is handled, advertising and market research is carried on, and all business for the corporation is done. However their branch offices are located in all the different distribution points of the country, and in this area it is the Q. F. Wholesalers of Boston. It is from these branch offices that the ultimate distribution of the institutional and retail pack is made.

Unlike their competitors, Q. F. Wholesalers are limited in the amount of each product that they are able to sell, and are limited in the number of retail outlets that they can serve. Rather than trying to build sales, each office is limited by an allotment; an amount which they could resell if they had the opportunity, but even at that, Birds Eye accounts for 40% of all frozen food that is sold at retail in this country.

There is no institutional package sold from the Boston office at this time, not because they could not sell

them, but because the office would rather have the allotment in retail packages. All the institutional packages of Birds Eye that are found in this area come from Q. F. Wholesalers of Hartford, Connecticut.

Prior to the war, an institutional package was distributed in this area from Boston, but government requisitions took 60% of the total pack of the Birds Eye Corporation, so the institutional package was cut out. Because this company is limited in the amount of retail sales that are made in this area, and because they do not have an institutional size package, smaller companies have been able to get a good foothold in this area, i.e. those that have survived, some concentrating their sales entirely on the institutional business.

When government requirements took 60% of the Birds Eye pack during the war, the company did not reduce their quality one bit in order to make their merchandise that was slated to go to the public go much farther than it could. Consequently there was very little of the Birds Eye brand that was available on the market. The little that was available was of the quality that was expected. However it was necessary to have a volume brand on the market to keep the organization functioning, and in doing this, Birds Eye introduced the brand called "Cold Pack". This was not of the quality that was expected and although the company had

to put it on the market in order to have a product to sell, it did as much harm to the industry as the other mongrel brands that were on the market at that time and are still a glut on the market. They might have watched their quality a little better than they did. This is a mistake that the company realizes and is going to pay for, for a good many months, together with the rest of the frozen food industry.

The Boston office of the Q. F. Wholesalers consist of a sales office, break down rooms, and a small freezer storage space. However it is necessary, even for Birds Eye, to use the facilities of the Quincy Storage Warehouse for bulk storage, but unlike the marketers, shipments are made to Boston direct from the packing areas.

Before a salesman can open a new account, he must make sure that the store is the right type to handle frozen foods, and that his personal allotment is sufficient to allow for another outlet in the territory. Each salesman has such an allotment and it is up to him to distribute it. At times, there is no problem, but at other times, he has a great difficulty in performing this task, because of a smaller allotment or an increased demand.

Formation of Q. F. Wholesalers

When Birds Eye first came to Boston in 1930, they

opened a branch sales office from which they carried on all their business. This operation continued until the war started and the Office of Price Administration came into existence. Under the Office of Price Administration a branch office was not entitled to an extra markup on foods, but a separate company was, even though it was a subsidiary of a main company. It was at that time that the marketers came into existence with their three markup system. Birds Eye felt that they were entitled to an added markup, so in 1942 all branch offices, including the Boston office, became separate business establishments under the name Q. F. Wholesalers Inc. a division of Birds Eye Frozen Foods Corporation. The method of doing business did not change at all but the added markup was obtained. With the ending of the war and the Office of Price Administration and the return of frozen foods to the competitive market, prices were adjusted and Q. F. Wholesalers remained.

Conclusions on Birds Eye Operation

Although the Birds Eye system of operation does eliminate the independent broker and distributor, they still have to perform the functions of these middlemen. These functions are necessary to the channels of distribution that frozen foods must go through.

It must be realized that for many years, Birds Eye was without competition in the frozen food industry, and although they account for 40% of the retail sales today, other companies have entered the field and are growing to the point where they may compete with the Birds Eye operation. This competition would be welcomed by Birds Eye, for they have been carrying the load of sales promotion, advertising, and consumer education in the frozen food industry, too long alone. The more help they can get the better off the entire industry will be. There is plenty of room for many more large, solvent, companies, and no one will welcome them any more than the Birds Eye Frozen Food Corporation, a division of General Foods.

CHAPTER 4

RETAILING (1)

Although there have been many specialized methods of marketing of frozen foods at retail, the first and still the largest volume method is that of following the regular channels that were already in existence. This is the method through the regular store. All a grocer had to do was to add a freezer to his fixtures and he was equipped to handle frozen foods. This is true of both the independent and chain store.

If frozen foods were magic foods, as some of the outlets thought that they were, that would be all that there was to the operation; a cabinet would be added and frozen foods would sell themselves. What these men do not realize is that this commodity must be advertised and merchandised like any other new item if it is to be a success. Because of this fact, and because some realize this while others did not, we find very distinct markets and different classes of retail operations.

- (1) The information in this chapter is based upon interviews with Distributors and Retailers throughout the State of Massachusetts. They are too numerous to mention here, but a complete list will be found in Appendix A. All took part. However, observations were made by the investigator in many stores where no interview was granted. These firms are not listed but the personal observations made also constitute a great deal of the material in this chapter.

When frozen foods were introduced at retail some eighteen years ago, they were put into test stores that were situated in different sections of the state to appeal to all classes of people. When the products were proven, they were made available to all that wanted them, and their growth was small, but steady. There was very little advertising done with them in regard to consumer education, except by the Birds Eye people. They were simply classed as a specialty food for those that wanted to carry them (1).

When the war came, canned goods were difficult to obtain, and every retailer who could obtain a frozen food cabinet was asking for a line of frozen foods, and he got them--everywhere and anywhere. We found them from large supermarkets to the corner delicatessen and grocery store. This was not a good thing for the retail operation.

Where Is The Retail Market

It was proven in 1930 and 1931 in the original test stores and it is being proven again today that frozen foods are definitely a class food, and without a great deal of constructive consumer education combined with both qual-

(1) Interview with Robert Fanning, Branch Manager of Q.F. Wholesalers, Boston, Feb. 13, 1948

ity and price appeal, it is going to remain a class food. There has been some consumer education during the past five years and it has managed to widen the market, but in order to obtain the interest and acceptance that the industry would like, there is still a lot of work to be done (1).

What do we mean by a class food? By this we mean that there are certain groups of people that are accepting and using frozen foods, and there are certain groups that are not. This can be proven by an analysis of the different types of operations that exist in the State of Massachusetts today.

Where is the market located? In areas where the middle, upper middle and wealthy classes live; where there is a large apartment house district of the better kind; and where there is a large population of the young married people. This is true not only of greater Boston, but of every city in Massachusetts that was visited. The stores that did the business are the ones that cater to these people. They are usually a better looking store, carry the better grades and brands of meats and canned goods, and offer a great deal of service, except in the case of the supermarkets. For example, around greater Boston, the successful frozen food department of the retail establishments are located in New-

(1) Interview with Robert Fanning, Branch Manager of Q.F. Wholesalers, Boston, Feb. 13, 1948

ton, Brookline, Belmont, Wellesley, etc., while in sections like East Boston, Chelsea, Revere, etc. we find a few dealers who have them only because some of their customers ask for them. In these latter districts when a dealer was asked who his customers were, in every case the answer was the upper classes and the young brides.

Yet when the war broke out, retailers all over, disregarding class, section, etc. were asking to be allowed to put in frozen foods, and they were selling them. Why are they not doing it now? The answer to this question was the same in every distressed locale that was visited.

During the war, canned goods were at a premium, while frozen foods were easier to obtain. As was pointed out before, quality was not up to par, but the stock was available. There was plenty of work for the laboring class of people in the war plants and there was also plenty of money in their possession. At that time, it did not make too much difference to them if they paid 29¢ for a frozen package of peas or 19¢ for a can, but because they had the money and the cans were rationed, they bought the frozen. The market was tremendous. Stores bought large inventories, and if they did not have the facilities to store them on the premises, they stored them in the public warehouses and in the locker plants.

But many people did not know how to use frozen

foods and many bought inferior quality products. When they spoiled or were not the quality expected, the consumer objected or became prejudiced, yet they continued to buy them while other products were rationed, or were not available at all. Then when the war was over, and war work stopped, less money was now in the hands of this working class of people and we start to find buyer resistance because of price and quality. A housewife was now buying the 19¢ can of peas rather than the 29¢ package of frozen peas. As a result, a community like Malden which presented such a tremendous market during the war, now presents a very limited market (1).

What is the result? Dealers who bought a large stock for inventory were stuck with it, for there is a very limited market for distressed merchandise, now that high quality goods are available again. If you visit these locales, you will see packages that once sold for 39¢, and that cost 27¢, being offered for 11¢ and still not moving. The reason is obvious. There is no second grade in frozen foods; either they are the quality that is expected, or they are not worth the package material that they are packed in.

The cabinets that were once full, are half full and are put in an out of the way corner, if they are used at all. Such is the situation that exists today in the areas where

(1) Interview with William Richards, Sales Manager of
Albert Richards, Inc., Boston Jan. 28, 1948

we shall say, the market for frozen foods has shifted away from. This situation exists not only in the Boston area, but in every locale that was visited. Some have been hit harder than others but the general situation exists.

The opposite situation exists in the better sections of our state. Because of the increased distribution of frozen foods and the increased population, the dealers are enjoying a market that has dropped off a little since the war, but still produces a volume that warrants his attention and possibly the expansion of the department.

Classes Of Retail Operation

As a result of the events that have just been discussed the independent retail stores may be put into one of the following classes, according to their operation with frozen foods.

1 - A Frozen Food Department. This class would consist of stores that have made a success of their operation. The department now consists of two, three or perhaps four cabinets, each the standard 15-cubic foot capacity, and their line has rounded out to all items that are offered in the frozen form, from horse meat, which incidentally is a best seller in some sections in some areas such as Lowell and Haverhill, to the prepared dinners and pre-cooked dishes

that are now being offered.

This type of operation needs a large floor space and a large amount of consumer traffic, but yet it must be situated in a community that warrants such an operation. Usually there is only one of these stores in a locality, and it is usually the leading store in the area, not a chain store. It is always an independent store.

The increased demand of frozen foods during the war was a major cause of their growth, but these operators were not taken in by the false market that was created. The majority of these men had been in the frozen food business long before the war. They knew how to merchandise the products, and most important of all, how and what to buy. These successful men did not have as much distressed merchandise as other operators did when the market changed.

There is a rule of thumb that in order to pay for a 15-cubic foot cabinet in seven years, and pay for the maintenance of the box, a retailer must do a hundred dollars a week business at retail in frozen foods. If these men were not doing the business they would not have enlarged their departments, as so many have done (1).

2 - An Accommodating Department. This class of retailer is the average successful operator found in a

(1) Interview with William Richards, Sales Manager of Albert Richards Inc., Boston, Jan. 28, 1948.

neighborhood with a well rounded line of fresh produce, groceries, and canned goods, together with a single frozen food cabinet. This cabinet contains only the basic commodities that are the mainstay of the frozen food industry which number between 7 and 11 products (1). His cabinet is clean and of the more modern design so that he may display his merchandise better, and it is situated in part of the store that it may be seen and easily reached.

Frozen foods are not the primary item that this man carries, nor do they consist of even a major portion of his business. In some cases these retailers will admit that they are just breaking even on the products, or even suffering a loss from the operation, yet they are glad that they have them and would not be without them. Why should such a situation exist? The answer is the same everywhere. These men believe, and it is true, that frozen foods have become a vital part of the diet of his customers and he must carry them in order to save his trade. The average purchase from his cabinet will be small, but it will be accompanied by a large purchase in other departments of the store. If he did not carry frozen foods, his customers would go elsewhere to buy them. In that case, they would also make their other purchases in the other store and he would lose the greater

(1) Interview with George Amadon of Paul A. Amadon & Co. Food Brokers, Boston, Feb. 18, 1948

portion of his trade. If such is the case, certain retailers must carry frozen foods if they are to survive in the grocery business.

One retailer has stated that since frozen foods are in his store, he has not made a profit on them, but the sales in the other departments have tripled because of increased trade. The key to making a profit in the retailing of frozen foods is a rapid turnover, and in this man's case, it is increasing all the time (1).

These men also realize that a frozen food cabinet does not possess any magic charm over the average housewife to draw her to it. It is necessary to display it properly, push the merchandise by advertising and sales talk, and let his customers know that he carries frozen foods for them.

3 - A Distressed Department. This is the class of department that was put in on a grand scale, in the wrong store and in the wrong locality. The owner knew very little about frozen foods or how to buy them, but during the war his business was so great that he spent a lot of money on fixtures, cabinets, etc., and then his market dissolved.

What does his department look like now? His cabinet, if in use at all, is situated in a corner of the store that is not easily accessible. It has not been kept up and

(1) Interview with R. Carpenter, Owner and operator of Carpenter's Frozen Food Center, Greenfield, Mass., Feb. 5, 1948.

it might have stock piled up on top of it. It contains very little known brand merchandise, not a good selection, and a great deal of distressed stock. The owner has taken his loss, and is not interested in selling them any more. They are there for the customers that want them and that is all.

The only way to help a business in this state is a complete reorganization of the frozen food industry so that the products would be available at a quality and price attraction, together with a great deal of consumer education. However these men made the mistake of going into something in a big way, something that they knew nothing or very little about, and their entire operation failed. If they had entered the business in a more conservative manner, they would possibly be in another position today. Now they have been burned and they are bitter against the entire frozen food industry. It is a known fact that if you are uninterested in your product, you won't sell it no matter how hard you try. This class of store will not sell frozen foods.

4 - The Out Of Date Department. This class of store would include all those that are still hiding their frozen foods in freezers that cannot be identified or seen.

When frozen foods first came on the market, the first freezers that were used were the ice cream cabinets that were in the retail stores; a box-like freezer with circular holes on top which require a person to reach down and

search for a commodity in an unlighted container. Many stores still have this type of freezer, their stock unorganized and mixed with meats, poultry, and ice cream.

These retailers sell a little frozen foods but only carry them because some of their customers ask for them. However a great many of them are located in a community that has a tremendous frozen food sales potential, yet they do not modernize. It is up to the industry to wake up these out of date departments and weed out those that should never have taken on the line.

5 - No Frozen Food Department. Although there are four classes of frozen food departments, there are five classes of stores in this area, the fifth being the store that does not carry frozen food. Some are located in a community that has a great potential, and some are not, but there are several good reasons that they all offer as to why they do not handle them.

(a) Their customers will not buy them, is an answer that we get most often. It usually comes from a retailer who is located in a community where a great deal of the foreign element lives. These people still have the ideas and customs of the old country and they refuse to be educated to new things such as frozen foods. Many tests have been made in such communities and no matter how hard the retailer tries to sell them, he fails. When a customer

was approached and told about the merits of frozen foods, she would say, "Yes, but it's frozen, not fresh." This type of store will be the last to open a frozen food department. A great deal of consumer education will be needed before this retailer will make a success of such an operation (1).

(b) "Takes up too much room." This answer comes from stores that are small, compact, and doing a good job without frozen foods. Of course it is usually the neighborhood grocer who does not want to invest the money in a cabinet, because he probably hasn't got it. He should not be allowed to have a department because his operation does not warrant it, and he would probably do more harm to the industry than good.

(c) "Cost too much money." This answer comes from a community that is situated in a poor section of a city. A retailer knows who his customers are and if they will not buy them because of price. He should not carry them until the price is low enough for them to appeal.

(d) "Do not believe in them." This is the grocer that refuses to educate himself and is probably losing money because he does not handle them. His customers would probably buy frozen foods if he had them, but he refuses, saying that they are a novelty and are not here to stay. If a man

(1) Interview with William Cohen, Manager Elm Farm Super Market, Winthrop, Mass., Jan. 21, 1948

is not interested in a product, he cannot sell it, and this man is just hurting himself. He should be educated in the use of frozen foods and then in turn, he will educate his customers.

Method of Operation

The method of operation of the different retail stores is more or less the same for all types. A salesman calls on the retailer, an order is given, and it is filled by the distributor. Trips vary from every two or three days to once in two weeks, depending upon the turnover of the retailer. His stock room is his freezer and it is up to the salesman to see that it is full at all times. If a customer is to have a selection to choose from, then the chances of a larger turnover are greater, and increased profit would result.

What Is The Matter With The Retail Business

There are several answers to this question which have been brought into light as a result of this investigation; some of the faults the retailers did not realize themselves, because they were right before them. Discounting consumer education, inventories, and price resistance, which

will be discussed in a later chapter, there are several things that are definitely wrong for the operation, yet are practiced all the time in ignorance.

1 - The small grocery store that takes on a line of frozen foods, no matter how extensive, usually takes them on as a last resort to compete for his lost business that has gone to the supermarkets. Yet these are not miracle foods and they will not save his business if he does not analyze the real cause of his decline in volume. He does not realize that he leaves the housewife without most of the fresh fruits, vegetables, and meats that she needs for her daily meals, for the simple reason that only a small amount of the fresh foods are being frozen. The articles that constitute the main business of the perishable industry will be only scratched by freezing, consequently the housewife is tending towards the supermarket more and more where she can get everything that she wants under one roof (1).

These small operators, in order to save their businesses, must start to round out their entire line of groceries before frozen foods can help them.

2 - Some grocers will not follow instructions and they are fooling only themselves. A frozen food cabinet must be kept at zero degrees Fahrenheit if the entire line

(1) Supermarket Publishing Co., Inc. Frozen Foods: Today and Tomorrow New York, 1946, P.44

is to be kept from spoiling. It is true that some items such as peas and lima beans can be kept safely at twenty degrees, but any item that is packed in a sugar syrup will start to run at ten degrees. Again because of the crystalline structure of frozen foods, once they are thawed out, they should not be re-frozen (1).

However since freezers have been put out in mass production, many inferior boxes with improper insulation, etc. have been sold to the retailers. These boxes cost much more to run at zero degrees than they do at twenty, so the operators are running them at zero part of the time and at twenty the rest of the time. Either the retailer is doing this on his own, or he has been told to do this by a salesman. Nevertheless, the retailer is fooling only himself, for some of his products are bound to go bad (2).

3 - Another example of retailers' ignorance of actual conditions, is the operation of a large chain of markets in the eastern part of the state. Frozen food departments are in all the stores, but the storage freezer is located in a central market which acts as a distribution point. Each afternoon, the branch markets call into the central market their needs for the next day, and their mer-

(1) Interview with William J. Peloskey, Manager, Shelburn Falls Locker Plant, Inc. Shelburn Falls, Mass., Feb. 4, 1948
 (2) Ibid.

chandise is loaded on an open truck for delivery. The stock is out of the freezer seven hours before the last stop on the truck route is made, and then put into a freezer again. The frozen food buyer admitted that he did not know what condition the merchandise arrived in, nor did he realize that he was doing something wrong (1).

This is only an example, but such operations are being carried out day after day in all parts of the state and country. Yet when a consumer buys some of this distressed food, and she complains, the retailer blames the distributor and the packer.

There are between seven and eleven products that constitute the entire frozen food industry. There are many novelties and specialty goods, but they will always remain as such. It is up to the industry to do away with such products that never should have been frozen in the first place, and give the retailer a more rounded line of the basic foods.

Requirements For A Successful Retail Operation

Due to the economic and social structure of our country today, there are five basic requirements for a successful retail operation.

(1) Confidential Source.

1 - The locale where the store is situated must warrant the introduction of frozen foods, the people you cater to must represent a potential market, and there must be enough of this class of people to warrant your carrying the merchandise.

2 - The department must be kept clean at all times so that the merchandise will look both tempting and appetizing. If not, you discourage customers before they buy.

3 - You must operate the freezer as instructed and make sure that all incoming merchandise is of the quality wanted, and that it has not been thawed out and re-frozen.

4 - The retailer must push the merchandise whenever necessary, in order to get new customers, and above all, be convinced himself that frozen foods are everything that they are represented to be. With his own enthusiasm he can sell others.

5 - Put the freezer where it can be seen and easily reached. Also be sure that the freezer itself is of a type that will display the merchandise in the best possible way. A large retailer recently stated that his sales in frozen foods have tripled since he put his new freezer near the door so that people would see it when entering and leaving the store (1).

(1) Interview with William Blood, FrozenFood manager and buyer for Blood Markets, Lynn, Mass. Feb. 3, 1948

If these rules are followed, the operation must be successful.

Chain Super Market Operation

In the State of Massachusetts as in other states of the country, a great deal of the retail food trade is absorbed by the super markets. Yet their operation in the frozen food line in this area, in regard to the volume of sales, is far behind that of the more progressive parts of this country. This statement does not apply to every store in this area, but when one looks at the over-all picture, it is very true.

In other sections of the country there are tremendous frozen food departments in the super markets with four to nine cabinets, covering an entire wall, but in this area it is the rare store that has three; a few have two, and most have only one of the fifteen-cubic foot capacity. While it is suggested by super market research men that an entire line be carried, in Massachusetts we find only the seven to eleven basic items.

The rest of this chapter will try to explain why such a situation exists in this area today.

Method Of Operation

There are three distinct operations that the chain stores use in Massachusetts, in regard to the distribution of products. For obvious reasons, the names of the companies have been omitted.

Company A - This type of operation causes the company to be classed with the distributors of frozen foods. A buyer is appointed by the company to buy direct from the packers through the brokers, and the merchandise is stored in the freezer of a large ice cream company. The trucks of the ice cream company, which serve the stores with ice cream, also deliver the frozen foods.

Company B - This type of operating company does not have the facilities of storage because they are not primarily interested in frozen foods. Each store in the chain is allowed to order from a local distributor for his needs and there is no attempt made for a separate distribution system.

Company C - This type of operation buys directly from the packers through the brokers and stores the merchandise in the facilities of the public warehouse. A small break down room is operated and the company trucks deliver to the stores. These companies are also in the distributor class.

All the chain super market companies fall into one of the above classes.

Chain super markets are new to the frozen food industry, entering into it about 1942 or 1943, when they were more or less forced into it because of lack of canned goods and Office of Price Administration rationing. When they decided that frozen foods were necessary to their operation, they planned to open large departments in each of the stores. However, with the scarcity of cabinets at the time, some of the orders have yet to be filled. Consequently, even though their plans were for large operation, they were kept small through limited facilities.

Even though frozen foods did find their way to the super markets they were looked on as a novelty by the management, who was more interested in selling fresh produce because of the greater volume and more profit per sale. It was found that after frozen foods were introduced they did not substitute for canned goods, but rather they supplemented the fresh goods. Now that canned goods are back, the frozen foods are carried as a convenience to the customers, but the markets as a whole are decidedly disinterested in them.

Some store managers wish to enlarge and re-design their departments, but the central management will not listen to the requests. They are to do the best that they can with the facilities that are available to them.

In the class of store that is entitled to buy from distributors, it is very often seen that the cabinets are only half full and contain a poor selection of merchandise. The person at fault here is not the store manager entirely, but the central management, for a department must show a profit, and if the retail store does not have the facilities to display the merchandise, then they cannot have the turnover that is required to show a profit. At least by having a small stock, the loss can be minimized. Some of our great modern super markets still sell their frozen foods from ice cream freezers.

Again you cannot blame the central management too much either, for they planned a large scale operation and were held up. They bought a lot of frozen food during their first year of operation which was definitely war-distressed merchandise, and they still have some of it. They took a tremendous loss and are now disinterested in the product.

The least co-operative operation in regard to consumer education is the super market because of the above reasons. They very seldom advertise frozen foods, for they would rather sell the other products.

There are some companies that are purposely doing a bad job in frozen foods because of their type of operation. These companies have their own brand of canned goods and prefer to sell them. The class of people that they cater to

will buy only from this company and they do a large telephone business. It is their purpose, by selling poor quality frozen foods, to discourage their customers from buying them in the future and making them stay with canned goods. Their operation has not been too successful so far, but they are doing a lot of harm to the frozen food industry (1).

However there are some individual markets that are doing a good job with their limited facilities. The cabinet is in the open where the customers can see it, an enthusiastic clerk is selling the merchandise, the cabinet is always full, and the entire department is kept clean.

An example of this type of operation in the department is in the First National Store in Newburyport, Massachusetts. The clerk in this store goes as far as making up samples of frozen foods for his customers to try, before they invest in an entire order. His one cabinet does more business than any other store in the city because it is run properly (2).

Super market operators in this area should wake up to the fact that frozen foods are no longer the specialty item that they first were, but can constitute a major portion

(1) Confidential Source

(2) Based on interview with Louis J. Bevilacqua, Manager of Fresh Produce and Frozen Food Departments of First National Store, Newburyport, Mass., Feb. 3, 1948.

of their business if properly promoted. Even with limited facilities, they can do a better job than most of them have been doing, as can be seen by the illustration above, but in order to do this, they must first educate their employees in the proper method of merchandising the product. The potential is great, but it is up to the operators to take advantage of it.

CHAPTER 5

CAUSES OF BUSINESS FAILURE (1)

During the past eight years, the frozen food industry has been the victim of an unprecedented growth and then a devastating shrinkage in size, in regard to the number of packers and distributors in the business. The volume of frozen foods produced has hardly been affected as much as the number of people that have entered and left the industry. It is true that some have stayed and have grown to a strong position, but the number that have left the business is so great that an analysis was made to find the cause of these failures. Strange as it may seem, in all sections of the country, including the state of Massachusetts, the basic causes for failure in the packers and distributors business have been appreciably the same, with slight variations, due to local events and conditions. For this reason, we analyzed the country as a whole and then ap-

- (1) The greatest amount of information was obtained from interviews with the following:
- J. Prescott of the Quincy Storage Warehouse, Inc., Boston Feb. 13, 1948
 - John Merkett, District Manager of Pratt Frozen Foods, Inc. Boston, Feb. 6, 1948
 - J. Lutz of J. Lutz and Sons, Food Brokers, Boston, Feb. 6, 1948
 - George Amadon of Paul A. Amadon & Co., Food Brokers, Inc. Boston, Feb. 18, 1948
 - William Richards, Sales Manager of Albert Richards, Inc. Boston, Jan. 27, 1948

plied the local events that took place to hasten the amount and time of failures in this area.

Actual figures are not available as to the number of business failures in the state of Massachusetts, but reports say that on January 1, 1948 only one-fourth of the distributors of frozen foods, frozen food cabinets, and house-to-house deliveries that were in business on January 1, 1946 were still in business (1). Most of those who failed were people that never should have entered the frozen food business in the first place. They were inexperienced newcomers who wanted to get on the fortune-bound train that frozen foods was taking, but the influx has been reflected in the lower quality products, mechanically inadequate equipment and unethical standards. To an industry that is developed on a high quality foundation, one can see what a threat such a condition is.

In order to be successful in any business, one must have experience and capital, but a great many of these newcomers had neither. Edwin E. Huddleson, Stokely-Van Camp's Vice-president in charge of Honor Brands, predicts that in ten years the people who really know most about food processing--the big canners--will have taken over ninety per

(1) Comparison of the Frozen Food Distributors Sections in the Greater Boston Telephone Directories for 1946, 1947, and 1948.

cent of the frozen fruit and vegetable business.

I don't give a damn how smart you are, it takes twenty to thirty years to build a well-rounded organization of men who know soil and seed, men who know farmers and how to deal with them, men who know when a fresh pea is ready for canning or freezing. We have literally hundreds of inexperienced people who have jumped into the business because they have money to invest and believe frozen foods are a coming thing, an opportunity to get rich. There is more foolish money available for investment in frozen food than anything in my memory (1).

Events That Led To Failure

When frozen foods first appeared on the market in 1930, they were introduced slowly and with discretion. The industry grew slowly, with each new product that was introduced. Each one was given the proper amount of testing and research, to make sure that the quality would be up to standards and the expectation of the ultimate consumers. During the later part of the thirties, the momentum of the industry grew; and in 1940 and 1941, things started to happen. Suddenly, everyone was talking about frozen foods; and, anyone who had any facilities at all was going into the business in one phase or another. People were jumping on the band wagon to gain a fortune in the frozen food business.

(1) Fortune Magazine, Frozen Foods Interim Report, Vol. 34, No. 2, Aug. 1948, P. 182

Packers were springing up everywhere in the Pacific Northwest, new distributors were coming into the picture, frozen food locker plants were being organized everywhere, and retail stores were putting in frozen food departments as fast as they could get the cabinets. When the war came, the momentum grew in fury.

Government needs contributed substantially to the growth trend over the war years and encouraged the expansion of processors, so that the average annual rate in fruit production over the period 1941-1944 was 59,000,000 pounds, compared with the 15,000,000 pound rate for the several preceding years. In vegetables, the annual rate of increase was 37,000,000 pounds over the war period, as compared with the 17,000,000 pound rate before that time. It is probably true that the war requirements did expand the physical capacity of the industry, but retarded improvements in quality production (1).

When canned goods became scarce and rationing started, frozen foods advanced in high gear. Every retailer that could possibly get a cabinet wanted frozen foods; for, while they were rationed, they had a large variety and the points were lower than those for canned goods. Then the trouble started within the industry. Packers were freezing everything that could possibly be frozen, disregarding the quality and research. A great deal of merchandise was bad; some of it never should have been frozen, and some would not

(1) Robert Morrison, Some Factors to be Considered in Making Loans to the Frozen Food Industry, Robert Morris Associates, Vol. 29, August 1946, No. 3

stand up under storage. Items such as grapefruit segments, loganberries, etc. never should have been put on the market, because eventually the magic name "frozen" wore off, and the public rejected them. But these men just produced and flooded the false market that was created because of the scarcity of other goods.

Between 1942 and 1945, the frozen food production in this country doubled. This rapid growth far outran the growth of the facilities that were available to care for the food, such as freezer space, cabinets, and transportation facilities (1).

In regard to the re-manufacturers, in 1943 their consumption of frozen apples, apricots, and peaches was 95, 97, and 85 per cent, respectively, of the total pack. In 1944, although these percentages changed a little (95, 95, and 88 percent), the total pack of these fruits increased so much that the actual usage by re-manufacturers was much greater (2).

- (1) Business Week, "Frozen Foods Enter Selling Era", January 4, 1947, P. 28
- (2) Business Week, "Frozen Foods: A New Horizon", Feb. 2, 1946, P. 31

Figures in thousands of pounds (1)

	<u>1943</u>	<u>1944</u>	<u>percent increase</u>
Apples	26,698	29,771	12
Apricots	9,712	39,300	305
Peaches	14,458	40,095	177

One vital fact which is not apparent from charts, but which the progressive and thoughtful packer does not overlook when he plans for the future, is that, although frozen fruit leaped so much in 1944 over 1943, almost all the increase was diverted in great bulk into markets which the trade regarded as fictional, because of the abnormal conditions at that time (2).

The Office of Price Administration helped this situation along for while it sharply restricted the supply of sugar to bakers, canners, preservers, ice cream makers, and other manufacturers, it allowed the frozen packers to process these three fruits in sugar syrups in outstanding volumes. Institutional users, such as hotels, restaurants, clubs, and hospitals, conserved their scant sugar supplies and scrambled for frozen foods (3).

However, when sugar restrictions were lifted, a great deal of this artificial volume was lost, because

(1) Business Week, "Frozen Foods: A New Horizon", Feb. 2, 1946, P. 31

(2) Ibid.

(3) Ibid.

canned and fresh fruits are so much easier to use. Today the frozen apple market is absolutely nil. The people who held inventories in this item have had to take a complete loss. This has caused many persons to go out of business.

In the meantime, during the war years, because the demand for frozen foods was so great and the merchandise was rather scarce, the distributors built up tremendous inventories on any item they could buy, regardless of price. Price meant nothing during the war, as long as a user could get merchandise.

Multitudes of people first heard of frozen foods through their inclusion on the ration list, but the Office of Price Administration handed these items millions of dollars of free advertising when it took them off the ration list seventeen months before canned goods (1). The reason that was offered in the newspapers was that frozen foods were reclassified in the category of fresh fruits and vegetables. However, it is suspected in the trade that the real reason the Office of Price Administration acted as they did is because they wanted to reduce the inventory of frozen food, for there was no shortage of it, and then leave the freezers open and ready to receive meat (2).

(1) Fortune Magazine, "Frozen Foods Interim Report", Vol. 34, No. 2, August 1946, P. 105

(2) Based on interview with John McGinnis, Sales Manager of Fairmont Frozen Foods, Inc., Boston, Feb. 6, 1948

There is no proof that this is the reason, but it is suspected among the leaders in the industry. If this is the case, then it backfired, for, as quickly as inventories were reduced, they were replenished with more stock; and when the war was over, tremendous amounts of frozen foods were being held by each and every distributor. This stock was mostly of mongrel brands and priced way out of line, so that it could not compete with fresh and canned goods, which were now coming back on the markets in large quantities.

As long as customers of all types (consumers, institutions, restaurants, and re-manufacturers) took all the frozen foods they could get, only temporary and regional storage crises occurred. But buying slowly increased and packers, including new and over-enthusiastic firms, continued to expand output. Congestion resulted.

During the war, consumers were using frozen foods and paying the price, because there was nothing else available; but, when canned goods returned to the market, the sale of mongrel, low-quality brands fell to the bottom. Birds Eye, Dewkist, and other nationally known brands fell off slightly, but owners of mongrel brand goods were finding difficulty in moving their merchandise. Soon they were reducing prices, but huge resistance continued.

During the war, when frozen foods boomed, banks were very willing to loan money on inventories and grant

credit, for they, too, believed in the golden future of frozen foods. It was not uncommon to find a loan of ninety per cent of value of the merchandise. With this amount of credit, distributors who were operating on a shoestring were able to stay in business and show a profit. Many continued operating this way for a few years (1).

In the early summer of 1946, banks started to watch the progress of frozen foods a little more closely, for it was then that the difficulty started. In August of 1946, the following was published in a banker's journal.

Disadvantages in making bank loans to the frozen foods industry

1. The minimum investment required to engage in any phase of this business is relatively greater than for similar lines. Operations on a "Shoestring" basis are almost impossible and, at best, extremely hazardous. This is primarily a result of the extensive application of refrigeration machinery and resulting in high cost.
2. The obsolescence factor in machinery, equipment, and insulation materials is of greater impact in this industry compared with the relatively static condition prevailing in the storage of fresh or canned foods.
3. As a quality product, it is presently at a cost disadvantage with competing foods. Frozen foods do not have a ready-made position in the total food consumption but must expand against the great weight of traditional, well-established processed and fresh foods (2).

(1) Confidential Source

(2) Robert Morrison, Some Factors to be Considered in Making Loans to the Frozen Food Industry, Robert Morris Associates, Vol. 29, No. 3, Aug. 1946

This is the step that started the downfall of frozen foods to many people. During the fall of 1946, things became worse. Distributors who could not move their inventories fast enough were very worried, as were the banks who had loaned so much money on these inventories.

Then the blow came that meant disaster to a great many distributors, who, in turn, took their packers down with them. In the early part of December 1946, the Wall Street Journal published the following article.

The fast-growing frozen food business has badly overestimated the country's appetite for its products, particularly fruit.

The result: Cold storage warehouses are bulging with 860,000,000 pounds of frozen fruits and vegetables. That is 50 per cent above a year ago, and only roughly double the pre-war rate. Excess of supply over demand is beginning to soften prices. The situation is so serious that a few frozen food packers have already floundered and gone under. There is trouble ahead for other packers and distributors with too much food on their hands.

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Too many in this business

Frozen food men say there are simply too many people in the business. One distributor who recently visited California declared that almost every cannery he visited there had a freezing plant, too. Big Wartime profits served as a lure. Prices rose as per capita consumption soared from $1\frac{1}{2}$ pounds in the 1935-39 period to 4 pounds in 1945; it is expected to approach 5 pounds this year.

Until recent months there had been no inventory problem. But now, as one large distributor puts it, "We're in for a real shake-out".

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Here is what is happening to the demand and prices for some frozen foods:

The purchasing agent for a large producer of jams, jellies, and marmalades say that red raspberries

are the weakest of them all. He was offered five carloads at 30 cents a pound recently and said if he had bid for the items he was sure he "could have gotten them at 27 cents". He said they sold for 37 cents earlier this year. Southern strawberries are down to 33 cents from 43 cents and cherries are off to 20 cents from 22 cents he reported.

A leading Chicago food broker is offering retail-sized cartons of frozen grapefruit segments at \$2 a dozen and reported "no takers". This lot of grapefruit was purchased originally from Florida last spring for \$2.65. The same broker was trying unsuccessfully to move frozen crushed pineapple at the price it was purchased a few months ago. He is offering a substantial amount of canned milk (very scarce) at a price slightly below the market as an extra inducement. The same official said in passing that, "There will be fire sales in strawberries before spring....."

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Trouble just starting

Inventory troubles in frozen fruits and vegetables are just getting started. Cold storage stocks reach a seasonal high at this time of the year. The big test will come next May or June when those who own remaining stocks are faced with the alternative of sharp mark-downs in price or carrying them through an extra year. And it costs much more to store frozen foods than canned goods. Warehouses figure it takes about $\frac{1}{4}$ cent per pound per month to keep frozen fruits and vegetables in cold storage ($\frac{1}{8}$ cent for storage and $\frac{1}{8}$ cent for interest on investment in the goods).

Several factors have contributed to the basic oversupply trouble in the frozen food industry. The preserving industry, for example, is receiving only 55% as much sugar as in 1944; it would be a much heavier buyer of frozen fruits if it had more sweetening. The preserving industry council estimates that its industry would normally use 60% of all frozen fruits other than apples and blueberries. If preserve makers are allotted more sugar, that would help to absorb big stocks of frozen foods but preserve industry sources here are not very optimistic.

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Pie makers have been discouraged by the sky high

prices of frozen fruits. They have switched to canned goods (1).

After this article was published, banks started to close in on credit, and less and less credit was granted to the frozen food industry. If a distributor didn't have funds enough to weather the storm, he was left high and dry.

Many denials were made of the article in order to try to have the banks ease up on the credit situation, but these did no good. One of the best was published in the New York Times a short time later.

Trade statistics show that after January, retail sales of frozen foods tended to increase up to April and May. If the banks are willing to support the distributors who now hold inventories in public warehouses, there can be little doubt that stocks on hand can be liquidated before the new pack starts.

It was pointed out that considerable pressure has been put on the industry because banks have been restricting credit as a result of estimates that the distributors were heavily over-stocked in frozen foods. The weight of this constriction has fallen on the distributor because during the sellers market that prevailed during the war period, they were forced to bear the full burden of carrying frozen food stocks (2).

But the real situation was revealed in the same paper only two days later.

Frozen foods are being offered on the market in large quantities at sacrifice prices food brokers reported yesterday. Tightening bank credit

- (1) John A. McWethy, Wall Street Journal, "Frozen Food Glut" Vol. CXXVIII, No. 131, Dec. 3, 1946
- (2) Fritz Brahm, New York Times, "Frozen Food Glut on Market Denied", Dec. 18, 1946, P. 46

pressure on distributors who are holding the majority of frozen stocks in their own or public warehouses as well as consumer resistance to unknown and inferior brands were the principal causes for the offerings, they said. (1)

Inventories started to unload in the spring of 1947, but there was little buying of new merchandise. Every distributor was interested in getting rid of his mongrel brands and making room for the more accepted merchandise.

Although this situation existed in all distribution points of the nation, one event that took place in Boston hastened the amount of failures in this area. First we must explain that the greatest amount of distressed merchandise was in fruits and berries. The greatest selling season for these items is in March, April, and May; just before, and during the early part of the fresh fruit season.

In April of 1947, the employees of the Quincy Storage Warehouse went out on strike. The strike lasted from April until June, the major selling period for the frozen fruits and berries. While it might have been possible for the distributors to move some of their merchandise, it was impossible to get it from the warehouse. Some was obtained by sending their own crews to the warehouse to get it out of the storage compartments, but it was very difficult to break through the picket lines with any amount of safety.

(1) New York Times, "Frozen Food Offered At Loss", Dec. 10, 1946, P. 36

While there was a market for fruits and berries, the distributors had to buy on the open market, at top prices in order to meet the demands of their outlets. At the same time, they had tremendous inventories that they could not get at, yet they had to pay for the storage all during the strike. An entire year of selling was lost because of this strike.

During the period prior to the strike, many of the distributing firms made themselves quite unpopular in the trade by using unorthodox methods in gaining sales, most of the time at the expense of other distributors. These men were the first to go out of business, for when the strike started, no one in this area would sell them merchandise, at any price, and they had to import small quantities of it at great expense, from other cities. Some distributors had rather large quantities of merchandise in their own freezers, in railroad cars, and in the Granite City Warehouse, and it was these men who reduced their inventories by selling to other distributors.

The entire situation was not healthy. Men were selling goods that cost them \$4.00 a dozen for \$2.00 a dozen and there were no takers. Bank credit went from 90 to 50% of the value of the inventory, and bankruptcy was very prevalent in the industry.

In the meantime, packers who had extended them-

selves had packed a lot of merchandise, hoping to turn it into ready cash, but have been forced to carry larger inventories because there were no sales. The result is that, with their limited working capital, they have been forced to close their doors (1).

The summer and the fall of 1947 have passed and there are fewer firms in the frozen food industry in this area than ever before in the past ten years. Those that have survived face the prospects of a wonderful market as soon as the rest of the poor quality merchandise is off the market, and the new packs start to come in. The future of the industry is in their hands and if it is kept clean, greater and wider distribution of frozen foods will result and a new horizon will show for the future.

(1) E.L.Stantzel, Quick Frozen Foods, "Why We Don't Sell Frozen Foods", Oct. 1947, P.58

CHAPTER 6

SPECIALIZED TECHNIQUES IN THE MARKETING OF FROZEN FOODS

The introduction of frozen foods to the retail trade followed the lines of established retail outlets, but in the past few years, specialized techniques in retail marketing have presented themselves. The most important that are found in Massachusetts are the frozen food store, the home delivery service, and the locker plant.

It is very important to see what place each holds in the over-all picture of the frozen food industry in regard to service, competitive advantage, and future growth. For this reason, an analysis of each of these outlets was made and definite conclusions were drawn as to their operation and future.

The Frozen Food Store (1)

First we must explain that a frozen food store is a business establishment that has for its primary operation,

- (1) A great deal of the information contained in this section was obtained by the following interviews:
- Jay Bushway, Owner and Operator of Jay Bushway, Frozen Foods, Inc., Allston, Mass. Nov. 3, 1947
 - Carl Lichetnstein, Owner and Operator of Snowking Frosted Foods Center, Brookline, Mass. Nov. 3, 1947

the selling of merchandise in the frozen state. Other lines that are carried are merely secondary in nature.

Because so much is being frozen today, the exclusive frozen food store, from a quick glance, would seem to offer a very large potential outlet for the frozen food industry. They may be termed as miniature food centers. Each department may be found in its separate cabinet, compact, and easy to find. The entire operation is a simple matter for a few people to run. The tasks of the average retail store in the processing of his perishable items are all taken care of in the packing of these foods, and the clerk has nothing to do with merchandise, but to sell it (1).

The typical frozen food store today is a small compact operation that does not have any more floor space than a small grocery store. There is a separate cabinet for each department, usually six in number--one each for fruits, vegetables, poultry, sea food, meats, and cooked food. The layout of the store takes one of two forms; either having the cases against the wall, or in a U-shape in the center of the floor. This enables the customers to get at the cases with a minimum of difficulty. The store itself is as clean as any retail establishment could possibly be, and the operation is either service or self-service, but more times than

(1) Frozen Foods, Today and Tomorrow, Super Market Publishing Co., N.Y. 1946, Part 5, P. 37

not, it will be a combination of both.

The sales personnel are a very important factor to the success of this specialized type of operation. They must be neat and very clean, usually uniformed to go in with the laboratory appearance of the store, and be well-informed on the subject of the quality and the preparation of frozen foods, in order to answer the many questions that are asked of them by the patrons.

The frozen food store cannot be classed with the regular grocery store or the super markets, but rather it must be put into the class of the specialty food store. They carry items that are not usually carried in the average frozen food department of a retail establishment; items that can only be bought there. Although they do carry the basic numbers that are found everywhere such as peas, beans, and strawberries, etc., their greatest volume of business is in the cooked foods and delicacies such as frozen hors d'oeuvres, crab meat and frozen cakes and pies (1).

They are obliged to carry a large variety of frozen products, even though many are not quick sellers; simply it is prepared to meet individual tastes and the fancies of a limited amount of patrons, rather than the usual line of customers that the other types of store cater to. Conse-

(1) Frozen Foods, Today and Tomorrow, Super Market Publishing Co., N.Y. 1946, Part 5, p. 37

quently, they have to be equipped with storage rooms in order to be able to carry their large inventories.

In all cases, these stores cannot and will not compete with the independent grocers in the staple items, and in most cases, prices are a little higher because of the tremendous overhead and the fewer items that are carried upon which overhead can be spread. However they are still in business and there must be a reason why.

First of all, the successful stores of this nature are located in an area where the purchasing power is in the upper brackets. They started out as a real luxury trade enterprise, and those that still exist today operate as such (1).

But in order to cater to this class of trade, one must sell service and the thought that the patrons are getting something extra for their money. For this reason, we find the beautiful laboratory looking stores, uniformed well-informed clerks, and a great deal of promotion as to the quality of frozen food as compared with the fresh or canned. A great deal of consumer education is done through these stores. There is also an extensive delivery service that will take telephone orders and deliver direct to the freezer in a refrigerated truck. Other service such as customer

(1) Frozen Foods, Today and Tomorrow, Super Market Publishing Co., N.Y. 1946, Part 5, P.37

aids, and helps in the preparation of frozen foods are also employed.

Even with all this, the management of these stores has found that it is impossible to show a profit by carrying frozen foods alone. The overhead is too high for the frozen foods to carry alone. Consequently, we found that other items were finding their way into this type of a store, items that were non-frozen, but rather than offer competition to the main line that was carried, they would supplement it. Among these items are jams, jellies, canned goods, crackers, cookies, and some have even put in butter, ham, bacon and dairy products. It is a fact that today, the average frozen food store operator is not certain as to what he will ultimately sell, because the larger the frozen food departments become in the retail outlets, the more specialized this type of operation must become.

In Boston, the majority of the specialized frozen food stores that open up have not proven successful at all. Only three out of the eleven original stores that started are still in existence as frozen food stores, but of these, all have taken on supplementary items to a very large extent. They could not exist without them. A few of the original stores have re-converted their operation so as to make frozen foods a minor item in their line, and are now classed as delicatessen stores or grocery stores. The others have just

closed their doors and are no longer in the business.

Why should such a condition exist for when first investigated, such a large potential market was forecasted for this type of an operation?

The market is limited to those communities that contain the wealthier class of people and those sections are few in number as compared to the other types and classes. However it was pointed out in a previous chapter that the best jobs that the independent retailers are doing are in these same communities. Then again, there is only room for one of such a store in a locale, and in some cases where two have opened up, they have driven each other out of business.

Then again, people are starting to get into the habit of buying all their needs under one roof, and if a shopper makes all her purchases in one store, she will buy her frozen foods there too, rather than walk down the street to a frozen food store. There are not enough of the basic food commodities frozen today to draw the average shopper to a frozen food store, and the specialty items he carries have a very limited market.

No one has realized this fact any more than the distributors of frozen foods, for they have watched these stores carefully, and they did not grant them too much credit because they did not have confidence in the operation. These distributors were a primary factor in the failures in this

type of business (1).

However, even though the market is limited, it is believed that there is room for a certain number of these stores in a very limited market. They are not equipped for mass marketing and must stay in the class of the specialty stores. If they are successful, it will be due to the fact that other specialty stores are successful, but they will always remain small.

Department Stores (2)

When there is money spent for a commodity, the department stores are always ready to try to adopt their policy in order to receive some of it, and they have always wanted part of the revenue that was spent on food. Thirty-five to thirty-eight cents of each dollar is spent on food in this country, but of that, the department stores are receiving less than one/tenth of each cent that is spent. This

(1) Confidential Source

(2) Much of the information in this chapter was obtained from the following interviews with the following stores in Boston:

Jordan Marsh Co.

R. H. White Co.

Raymond's

Gilchrist's

However the names of the people interviewed must be kept confidential.

is to compare with the one out of every four dollars that is spent from the household budget that they receive (1).

Why does such a situation exist? First of all, they never did much business with perishable foods because they were not equipped, nor did they want that type of an operation. Floor space is very valuable in a department store and perishables took up too much room. Because of this, canned goods absorbed the majority of the business.

With the introduction of frozen foods to the mass market, the department stores thought that this was their opportunity to make a bid for the consumer's allowance for food. Frozen foods were easy to handle, compact to conserve space, and were in all, the desired product.

From the years 1939 to 1946, four of the major department stores in Boston entered the frozen food business. Today, only one remains. The major reason why these stores closed their operations was not consumer resistance, but we can attribute it to faulty internal management and the "chain of command" of the department store system.

They had the wrong men buying frozen foods and they bought a great deal of bad merchandise. These men were ignorant of the food business, and were employees of a system and were assigned to this particular job. For an exam-

(1) Frozen Foods, Today and Tomorrow, Supermarket Publishing Co. New York, 1946, P. 38

ple, in one of the large department stores, the buyer of frozen foods used to be the buyer of luggage, and the merchandise man used to merchandise electrical appliances. In most cases, these men felt that their re-assignment to the frozen food department was more or less a demotion and they did not have the interest of the business at heart.

Then again, under the department store system it is difficult to get things done in a department unless it goes through a great deal of red tape. For this reason, many department managers lost interest because the store would not co-operate with their requests. As shown before, a frozen food department must be kept spotless, but to get sweepers and cleaners as often as they were needed was an impossibility. All the store was interested in was to make figures, and nothing else. There was no advertising expenditure at first, although there is a little now, but nothing is done for consumer education. For these reasons, we say the fault lies with the internal management.

Today, we have to classify the department stores as a specialized frozen food shop. They carry everything that the frozen food store does, but they do not cater to the same people. They try to cater to the working class of people who do not have the time to prepare meals, and the shoppers who get home late, but they are not successful in this type of operation.

They close their doors at the same time that the working people leave for home, and downtown Boston is not a shopping center for food. Shoppers would rather buy in their own neighborhoods.

These stores did a very good job during the war on meats, for they had them when other stores did not, but now, their volume of meat sales has dropped off as much as their other items.

Jordan Marsh and Company, who have the only remaining frozen food store in downtown Boston just moved their exclusive operation into a new department, which is a section of the food department. They could not make a specialized frozen food store pay, and now frozen foods are nothing more than part of the food specialties. In this way a shopper can get a more diversified line to choose from in both frozen and non-frozen items.

The future of the department store operation of the frozen food retail store is very doubtful. Department stores do not lend themselves to that type of an operation. They have not been successful in the past and there is no reason why they should be successful in the future. If they are kept, the department will be there only as an accommodation to customers and will be just another department.

(1) Based on interview with J. Hale, Manager of Frozen Food Department, Metropolitan for 10 years, Boston, Feb. 7, 1948

Home Delivery Service

With the increased sale of home freezers to the public, and the introduction of the specialized frozen foods store with its large assortment of merchandise, a new business presented itself in 1941 as a direct result of both these operations. This was the home delivery service that was not connected with any retail store.

The object of the home delivery service is to sell to the consumer possessing a home freezer, large quantities of frozen foods by price lists and telephone orders. When these orders are received, the merchandise is delivered in a refrigerated truck to the consumer's freezer.

The largest of these home delivery services is run by the Frosted Foods Division of the Metropolitan Ice Company of Watertown, Massachusetts. This company was one of the pioneers in this type of business, and their operation has been successful through the trying years of the frozen food industry. Because of this fact, we have chosen to analyze in detail this company's method of operation.

Method of Operation of Metropolitan Ice Company (1)

- (1) Based on interview with E. Gale, Manager of Frozen Food Department, Metropolitan Ice Co., Watertown, Mass., Feb. 7, 1948

Since their start in 1941, the Metropolitan Ice Company has been ranked with the distributors in this area, because their volume was sufficient from the start to warrant their buying in large quantities direct from the packers, through the brokers. But unlike other distributors, they sell direct to the ultimate consumers rather than to other middlemen.

When a consumer becomes a customer of Metropolitan Ice Company, a price list is sent to her at the beginning of each month containing the items that are offered, the prices, and the days that the delivery is to be made in her city. Weekly trips are made with these trucks. The consumer calls the Metropolitan Ice Company office, gives her order, and it is delivered to the freezer. It has been found that the average customer gets an order about every two weeks and the average sale is about ten dollars.

It is expensive to run a truck for a number of small sales over a wide area, so to discourage this and to encourage less frequent but larger orders, the Metropolitan Ice Company puts a twenty-five cent delivery charge on all orders under three dollars. Because the consumer can obtain her needs from this company at a small savings, she usually waits until she needs a large order before she calls. This is the only company that offers the large institutional package to the home consumer, and it is very popular because

of its economy.

The original contact list for new customers was made through the sales office of the home freezer department of Metropolitan Ice Company. When a freezer was sold, the buyer was contacted and told of the merits of the delivery system, but now they do not have this freezer department any more. However an agreement has been made with a number of distributors of home freezers in the city of Boston, and through their sales, a new and larger potential list of prospective customers is obtained. The route of the delivery system now covers all Boston and vicinity.

An added service which Metropolitan offers and the other companies do not, is that they will store large quantities of frozen food in their own freezer for one of their customers and they will have the customer's own products that she has put up herself, frozen at the Arlington Frozen Food Locker Plant, if the customer wishes; all for the cost of the operation. There is no profit made on these services.

Jordan Marsh and Company Operation (1)

In 1943, the Jordan Marsh Company entered the home delivery service and since that time, has been the only large

(1) Based on an interview with Henry G. Allager, Frozen Food Buyer and Manager of Jordan Marsh & Co. Feb. 16, 1948

competitor of the Metropolitan Ice Company. However their method of operation is somewhat different from the other companies that are in the business in this or any other section of the country. It has been successful, and it is not for us to say which is more advantageous.

The number of products carried by both companies is the same and deliveries are made in the same way, i.e. by truck, once a week. Here is where the similarity between them ends.

Jordan Marsh, in compiling their list of prospective customers, uses the facilities of the freezer department sales records of the main store. However, in order to increase their sales and number of customers, they have started to advertise their home delivery service in the newspapers and on the radio.

Their operation in the taking of orders is somewhat different, for although they receive them by phone, they are solicited rather than voluntary. A staff of telephone operators call each customer each week for her order, instead of waiting for them to call. They do have a two dollars and fifty cents minimum order that will be delivered, but even at that, the size of the average order is much smaller than that of Metropolitan Ice. For this reason, they do not cover as large an area; sales being more concentrated in order to route a truck economically.

Both of these operations are successful and although many others have entered this phase of the frozen food business, they are the only two that have survived.

Causes of Failures (1)

After the war, many G. I.'s were looking for a business to go into that showed a promising future. The home delivery service of frozen foods looked like this type of an operation to them. Some started their business on the idea of the Metropolitan Ice operation, while some took a refrigerated truck and called door to door, trying to make sales. However, with the capital that these men had to start with, it took from three to nine months for their companies to fail, and there were a great number of them here in Massachusetts.

In the door-to-door business, it was found that about one sale was made in every three stops with the average sale amounting to forty cents. At this rate, the company was able to make enough money to pay the salary of the truck driver, and there was nothing left over for the administration of the business.

In the telephone business, most of the companies

(1) Based on an interview with E. Gale, Frozen Food Manager, Metropolitan Ice Co., Watertown, Mass., Feb. 7, 1948

did not have enough capital to carry them over until a route was established. Metropolitan Ice and Jordan Marsh were offering a much more complete line to this very limited market, and these new companies could not compete.

In both cases, if the firm had sufficient capital to remain in business while they were getting established, they might have been successful, but they did not. The operators were ignorant of the frozen food business, and many have said that if they knew what it entailed, they would never have entered it.

Rural Markets

In the rural areas, home delivery systems have been tried either independently, or in conjunction with a locker plant, but they have failed because of the limited market they cater to. There were not enough customers to warrant putting a truck on the road (1).

However in the Greenfield area of the state, a few men have started to sell frozen foods along with other commodities, from a truck that has a regular route in the farm country. These men know very little about frozen foods and none of them are equipped with the proper refrigeration. As

(1) Interview with F. Jones, Manager of Northampton Frozen Food Locker Plant, Inc. Northampton, Mass. Feb. 5, 1948

a result, the merchandise is either soft or re-frozen when it reaches the consumers (1).

The retailers in the Greenfield area are protesting strenuously to the distributors who are supplying these so-called wagon jobbers, for the people who buy from them are becoming prejudiced against frozen foods because of the inferior merchandise that they were getting. The operation was hurting the retail sales in the city of Greenfield. This is an incident that proves that the distributors do not know what type of facilities their outlets have (2).

Outlook For The Future

The home delivery system has a good potential market, but it will take time to build it up. However with the increased sale of home freezers, and new refrigerators with frozen food compartments, their market is growing all the time. It is still a very limited market and at the present time there is room for just so many in the business in an area.

If a new company is to survive, it must have enough capital to carry it through the first years while it builds

(1) Interview with R. Carpenter, owner and operator of Carpenter's Market and Frozen Food Center, Greenfield, Mass., Feb. 5, 1948

(2) Ibid.

up a trade. It must carry a wide diversified line. If done properly, they can succeed, but it takes time. As the market grows, other companies will enter the field and grow, but it must be remembered that concentration of sales in great numbers is necessary. For this reason we say that the home delivery system will limit itself to the metropolitan and urban areas, and leave the rural areas to the locker plants.

Locker Plants

Despite the wonderful and visionary stories that have been circulated on the use of frozen food lockers in the metropolitan areas, the locker plant operation today is primarily a rural enterprise, as it has been from its inception (1).

The great concentration of plants has been in the central and the western states but today we also find them in the east, primarily in the rural areas. In the state of Massachusetts the majority of locker plants are located in the western part of the state, with a few around greater Boston. However these plants are all new, with the oldest starting in 1942 in a small town called Shelburn Falls, Massachusetts. Since then, they have grown and we find them all over the state.

(1) Frozen Foods, Today and Tomorrow, Supermarket Publishing Co. New York, 1946, P. 40

Method Of Operation (1)

The method of operation in the locker plant itself is the same in all the establishments, the difference being in the auxiliary business that each plant carries on.

All individual lockers are uniform in size, six cubic feet, and are either in the shape of a drawer or a luggage locker. Instead of cooling each locker separately, they are all placed in a large freezer room which is kept at the desired zero temperature. The lockers, being made of steel are cooled by the room temperature.

Locker plants vary in size from about four hundred in the small plants to one thousand in the larger plants. The charges are from fourteen to twenty dollars a year per locker depending on the location of the plant, and the accessibility of the locker.

Also in the plant there are freezing rooms which are kept from twenty degrees below zero to thirty-five degrees below zero, in which the operators of the plant will freeze any commodity that one of their patrons wish them to, and then store it in their own locker.

- (1) Based on interviews with the following:
F. Jones, manager of Northampton Frozen Food Locker Plant, Northampton, Mass. Feb. 5, 1948
J. Peloskey, Manager of Shelburn Falls Freezer Locker, Inc. Shelburn Falls, Mass. Feb. 4, 1948

Some of them have tried to establish a delivery system where they would take the contents of a person's locker and deliver it upon request, but all have done away with this type of operation as uneconomical.

In the rural areas, the backbone of the locker plant is the farmer. For him, the locker plant has already become a necessity to his mode of living. First, it offers him a new means of preserving food; second, it is easily reached; and third, it saves him the expense of having to purchase his own freezer. It is not uncommon to find a farmer renting four or perhaps five lockers in the local plant. For these reasons, the largest plants are located in the farm areas.

In the urban areas, the operation of the plant is the same, but the type of customer it caters to is very different. These plants have grown up in two distinct areas around the cities; the first, in the suburbs, and the second in the apartment-house areas. In the first of the locales that was mentioned, the customers are the small home owners who want to store a little extra meat and produce, but does not want to buy a freezer. In the second area mentioned, the average customers are those that live in apartments and do not have the room for a freezer. In both cases, the plants are small and the patronage is limited.

Locker Plants Justified

The history of most locker plants in Massachusetts is not the easiest to reveal, but it is necessary in this case in order to justify their existence today. As was already stated, all of them run an auxiliary business, and in most cases, it is meat processing. If a carcass is brought to the plant, it is cut up according to the instructions of the owner, frozen, and then stored in the owner's locker. This type of operation is the mainstay of many locker plant businesses in this state (1).

But we must remember that locker plants started to spring up in this area in 1942, when meat was rationed and starting to get scarce. Because of their type of operation, there was a scramble to rent lockers and fill them with point-free meat that was obtained through undisclosed sources, either on the outside or through the plant itself. In less than a year, some of these plants became the largest outlets for black market meat in their respective areas. Their business flourished during that period but now a great number of these establishments are having their difficulties (2).

Locker plants still process meat for their patrons

(1) Confidential Source

(2) Confidential Source. The increased distribution of

and will buy a carcass on the wholesale market for them, if they wish. But when the wholesale price is added to the charges of processing the meat, there is no saving at all from the retail price. Customers use these facilities because they can get better cuts of meat and they are always available.

Other locker plants have for their auxiliary lines, fur storage in the summer season, ice cream manufacturing and distribution, sub-distribution points for large distributors, ice companies and retail stores. All must have an auxiliary business in order to survive, for revenue realized from rent of the locker plant alone will only cover fixed expenses of the plant. The profit is made from the auxiliary business.

Future Outlook

We believe that the future for the locker plant in the urban areas is very doubtful because the market that they are catering to decreases with the sale of every home freezer and every new refrigerator. They have reached the peak of their expansion in this area and from now on, their auxiliary businesses had better do a great job if the plant is to survive.

After all, with the increased distribution of

frozen foods, people do not have to stock them as much as they used to, for at no time, are they too far away from an outlet. Then again, people who live in urban areas do not want to put up enough of their own food to warrant the maintenance of the freezing rooms.

In the rural areas, they will continue to flourish, even though the meat shortage is over, but ownership will have to change hands. People have become prejudiced against the black market operators, and when these men leave the business, the locker plants will get back on their feet. This has already been proven in several sections of the state that were visited.

If they have an auxiliary, these plants will survive, but they will never reach the popularity that they have reached in other parts of the country because of the diversified type of farming that exists here, and the nearness of the rural areas to the large cities. There is a need for them, but we doubt if they will ever get any larger than they are now.

CHAPTER 7

PROBLEMS OF THE FROZEN FOOD INDUSTRY

During the course of the discussion of brokers, distributors, and retailers, many problems were brought forth in conjunction with their different types of operation; but there are some specific difficulties that face the industry as a whole, not any individual operation. The solution of these problems would benefit all concerned. For this reason, we discuss them here, in a separate chapter, and leave it to the different operations within the industry to apply the solutions to their own business.

Some of these problems have a much wider scope than others, and are treated accordingly, but they are all timely and must be included. The solutions to these situations are the conclusions that are drawn by the investigator as a result of his analysis of the frozen food industry.

Consumer Education

Although frozen foods have been on the market for the past eighteen years, and the entire population of the country has heard of them, mostly because of the war, it is surprising as to the small percentage of the consumers that have tried frozen foods. These people are not ignorant of

the product, prejudiced against it, or are the products inaccessible, but they have certain buying habits and they do not deviate from them. They are ignorant in the use of frozen foods and many believe that if they do not have a home freezer, or a frozen food compartment in their refrigerator, they cannot use the products. These people constitute one of the markets that must be reached (1).

A great many people first heard of frozen foods during the war and tried them at that time. Perhaps they got first quality merchandise, and perhaps they did not. Most likely they were disappointed at one time or another because of poor quality or wrong treatment of the food in storage or preparation. However a great deal of consumer prejudice was created during this period, and it is this lost market that the industry must work to regain through consumer education (2).

How can we accomplish this? It is the job of the growers, packers, distributors, and retailers combined in a program designed to help the industry as a whole and educate the public, and not help any individual concern.

For many years the Birds Eye Company was the only institution in the frozen foods industry that was doing any

(1) Based on interviews with consumers in many of the retail establishments listed in Appendix A

(2) Ibid

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accessible, but they have certain buying habits and they do
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of the markets that must be reached. (1)

A great many people have heard of frozen foods
during the war and tried them at that time. Perhaps they
got tired of highly perishable, and perhaps they did not.
Most likely they were dissatisfied at one time or another
because of poor quality or wrong treatment of the food in
storage or preparation. However, a great deal of consumer
prejudice was created during this period, and it is this
lost market that the industry must work to regain through
consumer education. (2)

Now we are accustomed to the fact that it is the job of the
grower, packer, distributor, and retailer combined in a
program designed to help the industry as a whole and educate
the public, and not help any individual company.

Two years ago the Birds Eye Company was the only
institution in the frozen food industry that was doing any

(1) Based on interviews with consumers in many of the retail
establishments listed in Appendix A
(2) 1945

consumer education at all. They were the only national advertisers, the only company to give dealer aids, and the only one to promote the name of frozen foods. Of course they were the first and the only company in the industry for a few years that was of any size, but now others have grown to a point that they can now offer some help in the promotion of the products. Another company, Snow Crop Marketers Inc. has started a national advertising campaign, but it is still very new. It will help, but there is a need for a great deal more than the efforts of these two companies (1).

For the past few years, attempts have been made to form the National Frozen Food Council of the Frozen Food Institute, for the purpose of having a national institutional advertising campaign for consumer education. Under the present plans, no specific company or brand will be named, but rather the ads would take the form of promotion of frozen foods as an industry and a product for every consumer to use. It is supposed to be patterned after the Meat Institute. Each packer, processor, and distributor who joined the Council would be assessed a fixed amount per package that he handled, according to weight, to pay for the expense of the advertising program (2).

- (1) Based on an interview with Robert Fanning, Branch Manager Q. F. Wholesalers, Boston, Feb. 13, 1948
- (2) New York Times, Dec. 21, 1946, P. 25

However even though this would benefit the industry more than any other possible act at the present time and there is such a need for it, the idea has met with a great deal of opposition among the small packers and distributors (1).

They claim that by joining the council, they would have a double advertising expense, first to advertise frozen foods, and then their own product. The added markup resulting from the assessment of each package would put their products out of the competitive price range. What they neglect to say is that they do not advertise their own products at all but have capitalized on the institutional ads of the other companies. They hope that the Council will be formed for they will benefit by it, but they will not join at this time (2).

There is a battle going on between the packers and the distributors as to who should bear the advertising expense. Each claim that it is the job of the other. When an answer to this argument is reached, headway will be made with the Institute (3).

The result is that the Institute is still in the formation stages. The large packers and distributors are

(1) Based on an interview with John McGinnis, Sales Manager of Fairmont Foods, Boston, Jan. 30, 1948

(2) Ibid

(3) Ibid

backing it, but will not go ahead with their plans until the small opposition is brought into line. They refuse to let these small operators take advantage of the situation and when an agreement is reached, the sorely needed campaign to educate these new markets will get under way.

In the mean time, both packers and distributors can do many things in their own way to help regain and conquer those markets that were mentioned, by consumer education. The first and greatest need, outside of advertising, is in the field of improved dealer aids. Many distributors have fallen down on the job because they had not realized that the methods that they were employing were inadequate. They dress cabinets, have placards, etc., but they stop there.

An illustration of a more progressive firm is that of the E. A. Aaron and Bros. Co. of Chicago. Charles Peterson, Sales Manager of the firm, tells what they are doing for dealers aids.

We give our dealers as many point of sales as possible. These include weekly or monthly specials, priced accordingly and varying the items so as to keep both dealers and their customers interested. These specials are also effective in building customer interest in the line as a whole. We use window bulletins to move our specials and back up our products with advertising of our own, including the use of billboards.....we conducted cooking demonstrations in our stores.....(1)

(1) Quick Frozen Foods, "How to Combat Ratailer Apathy",
Sept. 1947, P. 68

If these methods were employed by the so-called progressive distributors in this area, a much wider distribution of frozen foods would result.

If the distributors, after they opened a new account would be sure that the products were merchandised properly, and the correct markup taken, the right display, etc., increased turnover would result for both the retailer and themselves.

The retailers can do their job in consumer education by employing the right type of operation as described before, and by being more enthusiastic in their sales talk. There are definite things that can be told a consumer, but many retailers do not know what the sales talk should consist of, mostly because he is not interested himself.

The following are a few points on frozen foods that should be common knowledge to every retailer, but actually very few know them (1):

- 1 - Both time and labor are saved in the preparation of meals.
- 2 - Vegetables cook in less than usual time.
- 3 - The consumer gets completely edible portions with no waste material and no spoilage.
- 4 - Freezing adds to the variety of foods that are

(1) Frozen Foods, Today and Tomorrow, Super Market Publishing Co. Inc. New York 1946, P. 13

available to the table all year round.

5 - Provides the highest quality of foods since only the select merchandise is worth processing in this form.

6 - There is a purported economy obtained from complete edibility of the product.

Let us educate our retailers and they in turn will educate their customers.

In short, what we need is an intelligent, enlightened, simplified, and enthusiastic sales program. With such a program, we will be able to tell our story to the public in a simple, comprehensive manner, making the average consumer aware of the advantages which frozen foods have to offer over other types of foods.

Distressed Merchandise (1)

It has been shown in previous chapters, that distressed merchandise has been the major indirect cause of business failures in the frozen food industry. Much of the stock should have never been frozen and put on the market, for the possessors of the stock had trouble moving it when competition returned to the market, as shown by the events of the past eighteen months.

(1) Based on interviews with distributors in Boston mentioned before, and Mr. J. Prescott of the Quincy Storage Warehouse. Feb. 13, 1948

There are no two grades in frozen foods. Either the products are of the quality that is desired, or the product is not worth anything at all and should not be allowed freezer space. We have seen actual cases where two different brands of strawberries were side by side in a freezer, one marked thirty-nine cents, and the other marked eleven cents. The thirty-nine cent item, a nationally known brand, was completely gone at the end of the selling day, while the eleven-cent item, a discontinued mongrel brand, had not been touched by the time the market closed its doors. Consumers will not buy the unknown and faulty products (1).

Much harm was done to the frozen food industry during the war because of this inferior brand merchandise, or merchandise that did not have public appeal. The large packers of the top quality brands did their share of helping this "glut" to the market, for even some of their products were not as expected. However those were abnormal times and the situation could not be helped.

The crisis is over as far as distressed merchandise goes. Most of it has left the market by now, and the producers and distributors of the bulk of it are no longer in the business in most cases. Some was used in re-manufacture, some was sold to the public, and some was done away with, the

(1) Observation made in Brockelmen's Market, Haverhill, Mass., Feb. 2, 1948

possessor taking his loss.

The industry is now on its way up as far as quality is concerned, for new packs are now coming in and there is but a small amount left that is bad. The problem today is not as bad as it was a year ago.

Price Resistance

This is one of the new problems that has presented itself in the past two years. During the war, no problem existed because food was scarce and money was plentiful, but now with the post war conditions such as they are, we find definite price resistance to frozen foods.

How can we combat this price resistance? One of the best ways is through consumer education for actually in some commodities, frozen foods are less expensive than their equivalent in the fresh products. For example, one 12-ounce package of quick-frozen peas equals three pounds of the fresh. This can be shown in other products, too (1).

However we must admit that in most cases, the prices of frozen foods are too high to compete with canned goods. In these items, the freezers must get their costs down to a point where competition would be possible. For

(1) Frozen Foods, Today and Tomorrow; Super Market Publishing Co., Inc. New York 1946 P.35

example, the equivalent of a twenty-nine-cent package of peas is a nineteen-cent can of peas. A ten-cent differential is too much for competition on a grand scale (1).

Where can expenses be cut? Only in production and the growers' prices will this be possible. If the farmers would be willing to cut their prices a great difference would result in the price of the retail package. However they will not make this concession and still give the quality that is desired today (2).

We cannot cut the transportation and the storage charges for these two industries have been the most co-operative in regard to price, perhaps because others in the same operation are competing for the business. They are now working on the closest markups that are possible and a further cut cannot be expected here, to any great extent (3).

A general price cut all the way down the line would cause the lowering of retail prices, wider distribution, and increased production. Loss in markup could be made up in volume, but we shall have to wait for this situation to take place. It cannot be seen at the present time.

- (1) Frozen Foods, Today and Tomorrow; Super Market Publishing Co., Inc. New York 1946 P.35
- (2) Based on interview with J. McGinnis, Sales Manager, Fairmont Food Co. Boston Jan. 30, 1948
- (3) Based on interview with J. Prescott of Quincy Storage Warehouse, Feb. 13, 1948

Even though prices are high, canners and processors of fresh food and produce have felt the effect of frozen foods on the market. It has not created a healthy situation for them, for as a result of frozen foods, people have been hearing about quality and they desire it. Frozen foods are making a lot of headway despite the obstacles.

Canners have countered with large sales and cut prices of canned goods. Never before in the history of the canning industry have such sales and promotions taken place. There have been many new products introduced to combat the specialty items that are now being frozen. Canners feel the pinch (1).

The processors of fresh produce have countered with the new pre-packaged products in the cellophane wrappings to give top quality merchandise in a more sanitary and attractive way. This was started by the super markets and now can be found everywhere. If it will remain on the market, only time will tell, but they were introduced as a direct result of the gains that were made by the frozen foods (2).

If frozen foods are to gain the mass market that they wish to, prices must come down, but as yet and with

(1) Based on interview with William Richards, Sales Manager of Albert Richards, Inc. Boston Jan. 27, 1948

(2) Frozen Foods, Today and Tomorrow; Super Market Publishing Co., Inc New York 1946 P.15

market conditions such as they are, no one can see just how or when they will. Until the structure of our economy causes a reduction, they will continue to appeal to a small class market who can afford them.

Brands

Right now even though many have left the industry, there are too many different brands on the market, as compared to the volume of frozen foods that are consumed by the public. There are still too many individual packers whose quality may be good, but whose brands are unknown. They are not advertised nor do they have national distribution. What can we do with them?

It is our recommendation that these packers should consolidate into groups such as co-operatives, and pool their resources. By doing this, each group could have a well-rounded line to offer the public; they could market their products together; be strong enough to advertise, and in short, be a group with power in the industry rather than a number of individuals. One brand will result, but one with national recognition.

A question concerning brands was raised by many retailers in regard to the super market operation in frozen foods. Super markets are known for their private brands and

for selling their items a few cents cheaper than their competition. However they are carrying the same brands of frozen foods that the independent grocer is, and at the same price. How long will this last?

Right now, super market operators are trying to negotiate with packers to have their own brand of frozen foods, but they refuse to buy in large quantities for future delivery. Instead, they want the packers to put the merchandise up in unlabeled containers and when they need it, the super markets will order it. The packers would then put a label on it and ship it. That is the operation that the chain super markets would desire (1).

However the packers are refusing to do this for they do not want to pack a large quantity for inventory and take the chance of not being able to sell it. When they are ready to pack, the merchandise must be sold.

Both parties are standing by their demands because of present market conditions. It remains to be seen as to which side will get its way, but it is rumored in the industry that soon we shall see chain store labels, but the chains will buy in advance like any other distributor.

Warehousing

Warehousing is considered to be one of the bottle-necks of expansion of the frozen foods industry. Most of the existing refrigerated public warehouse space was built before frozen foods became an important commodity (they now occupy about thirty per cent of all refrigerated warehouse space). Most of them were designed to handle carload lots, not day-to-day movements of smaller quantities (1).

In Boston at present, the facilities of Quincy are adequate, but how much longer will they be? Other cities like Springfield and Fitchburg need more warehousing. Facilities are not adequate.

Many distributors believe that by building warehouses tailored to their operation, and locating them in key distribution areas, they can reduce the fixed amount of one quarter cent per pound per month for storage in public warehouses and in twenty years the savings would pay for the new building (2).

Even with this taking place, packers must start to build warehouses at their packing points to hold some of the inventory there and not require the distributor to hold an

(1) Business Week, "Frozen Foods Enter Selling Era", Jan. 4, 1947, P.28

(2) Ibid

entire year's supply at his home point. This would reduce the amount of capital that is invested and reduce the danger of getting stock tied up in a strike as in 1947.

Both steps are needed to help the advancement of distribution in the industry.

Cabinets

The lack of sufficient cabinets has been another bottleneck of the retail distribution for a long time. During the war when there was a tremendous demand for these machines, they were at a premium.

Today, since the refrigeration people have entered the field of manufacturing freezers for retail and home use, the shortage is over. With these new type boxes available, there is no reason why every store that handles frozen foods should not have a modern type department. New cabinets should meet the following requirements: (1)

1 - The case should preferably be wide open. Doors tend to impede buying.

2 - It should have room for a wide variety of items and be constructed so that housewives do not have to stoop too much to pick up the merchandise.

(1) Frozen Foods, Today and Tomorrow; Super Market Publishing Co. New York 1946 P.27

3 - Its design should be such as to draw immediate attention.

4 - It should provide some means for creating mass display effects.

5 - It should have ample storage space for the surplus stock for refilling the cabinets, and not have to depend on daily deliveries.

6 - Its operation should be economical.

7 - It should require very little maintenance and keep a constant temperature.

To meet these requirements, cases are now equipped with many improvements and are being produced in many new designs. They are equipped with mirrors, colored illustrations, glass walls, and fluorescent lights. There is still room for improvement, but they have come a long way since the end of the war (1).

Cabinets can now be bought on credit and it is up to the retailer himself to be sure that his department is the type to sell foods. If an old one exists in the store, it can be used for the storage of inventory, but the modern cabinets are doing the business.

Above all, when a retailer or a home user purchases a cabinet, it is his duty to see that it is a product of a

(1) Frozen Foods, Today and Tomorrow; Super Market Publishing Co. New York 1946 P. 28

good reliable firm. Many inferior boxes have found their way on the market and many people have suffered because of them for they were improperly insulated and they cost more to run. It is less expensive in the long run, to pay more for the original box and have one that is reliable, than it is to get one of the lower priced cabinets that will not perform as expected.

Packaging

The actual material used in the packaging of frozen foods is not our concern in this thesis, except to say that through research, the correct type of material container has been found for each different commodity that is frozen. The flexible type of packaging seems to dominate-- paper boards, transparent plastic sheets, waxed paper, and so forth--in the specialty groups while fiber containers are the leaders in the fruits and vegetables (1).

The carton shapes are what we are more interested in at the present time. They are designed, not because they contain a certain number of portions to serve, or to meet a certain price by the volume that they contain, but because they will uniformly fit into the freezer of the retailer.

(1) Frozen Foods, Today and Tomorrow; Super Market Publishing Co. New York 1946 P.33

Many consumers object to frozen foods because one package is too much or too little for a meal and they cannot buy them in the quantities that they wish (1).

Let the packers find out what package volume would be most acceptable to the public and put his products in that size, or let him put them in different sizes to meet the different consumer needs, rather than packaging them for the convenience of the retailer.

If we re-examine the package from the housewives' point of view, we would find out a lot of things. First, we throw away some of the polar bears, the skis, the walruses, the igloos, the eskimos, and the skating girls that are on the packages and show the public what we are trying to sell (2).

Put colored lithograph pictures of the contents of the package, attractively displayed, so that the consumer will know what she is buying. Put instructions as to the preparation of the different dishes using the commodity, and instructions as to how to use the product, and the industry will have a package that they will be proud of and that will sell. Have a space where the price can be marked and you

- (1) Interview with Jay Bushway, owner and operator of Jay Bushway Frosted Food Center, Commonwealth Ave., Allston, Mass., Nov. 3, 1947
- (2) Interview with John Merrett, District Manager of Pratt Frozen Foods, Boston, Feb. 6, 1948

will create a partiality in selling your products by the clerks for it will aid them. And above all, when a customer sees the package at a glance, let her be able to tell what it contains (1).

It will take a long time to solve these problems, but the industry is still in the process of formation. It will grow and new problems will arise, and these will be solved. However when they are, a great many of the obstacles that hinder its progress will be eliminated.

The milk market of re-manufacture has always been large and it will grow even larger when new methods of processing parcels of mechanical in a short time are developed. Even though a great deal of this product has been devoted to the marketing of frozen foods, this is the basis of the business that provides the greatest potential for the future, for at the present, this market only absorbs a very

(1) Interview with John Merrett, District Manager of Pratt Frozen Foods, Boston Feb. 6, 1948

Conclusions

Since frozen foods were introduced eighteen years ago, they have made tremendous headway in distribution, so far that they are no longer a novelty but a basic commodity to our food industry. They are here to stay and will continue to grow in volume.

Today, frozen foods have become a vital part of the institutional kitchen and without them many resorts, restaurants, hotels, etc. could never stay in business. This market has grown more than any other phase of the entire industry and today presents a very thriving business. It absorbs most of the foods that are packed today. It will continue to grow as more and more of these establishments equip themselves to handle the products.

The bulk market of re-manufacture has always been large and it will grow even larger when new methods of defrosting barrels of merchandise in a short time are developed.

Even though a great deal of this thesis has been devoted to the retailing of frozen foods, this is the phase of the business that presents the greatest potential for the future, for at the present, this market only absorbs a very small percentage of the entire pack. It is smaller than the other two by almost fifty percent even though it has almost tripled in volume since 1939. It is this market that the

frozen food industry must conquer if they are to reach the mass distribution that they wish in the future.

The buying habits of the general public have changed in regard to the purchase of frozen foods, for even though the war did a lot of harm to the industry in regard to the quality of the products, it did start the public using these new products in large quantities. No longer are they considered to be something that is carried by the exclusive stores, but in a small way they have become a standard to many homes, and the number is growing each year. As the bad products disappear from the market, the retail market for the good quality merchandise is steadily increasing. The old fashioned idea of the frozen foods not being healthy is leaving the people and the more conservative members of our society are slowly decreasing in number. The young homemakers are very much satisfied with the products, and this class presents the greatest potential for the industry as a whole. The war did some harm but it also did a lot of good for the industry.

The question of price is still a major problem that the retailers must face, for with conditions as they are, people who want the products cannot afford them in the quantities that they would like to have them. This will not be the case for much longer for prices will come down and the market will regain its volume. These buyers are only

lost temporarily and new users are found to take their place every day. Prices will in time adjust themselves.

However before mass distribution can be reached, we must see the following take place:

1 - Technological advancement and research as such, that all products that are put on the market will be correctly frozen and will be of the desired quality.

2 - Refrigeration at a constant zero temperature will remain from the time of freezing to the exact time of use.

3 - Price will be such as to allow a retailer a fair profit and still low enough so as to compete with other products.

4 - Display facilities will be adequate and be of such a nature that the product can be shown correctly.

When these four requirements are fulfilled, the retail market will reach its desired goal.

These foods will never replace canned or fresh goods, but will rather supplement the lines to give the average buyer a more diversified line to choose her meals from. That frozen foods are here to stay is realized by the manufacturers of electric refrigerators more than any other group of people, for not only are they entering into the field of manufacturing the home freezers, but they are also building a sizable frozen food compartment in every new re-

frigerator that is being put on the market. It has become standard equipment.

There is still something else that must be done for the retail market. As was discussed in the body of the thesis, there have been all sorts of research on the freezing of goods, quality control, refrigeration, etc., but there has been very little research of the market made.

Nothing in this industry is more needed today than market research. There are a great many problems that research is needed on. For instance, trial market tests to determine consumer reaction and acceptance in certain areas might yield facts by which the entire industry could benefit. How can Mrs. Average Housewife become converted into a habitual frozen food user? How can grapefruit segments, fruit cocktail, applesauce, etc. become better sellers?

If market research is performed before a product is put on the market, many of the commodities that constituted the "glut" in 1946 and 1947 would never have gone beyond the doors of the laboratory. Many things can be frozen but will they be accepted by the public is the question that must be answered. A great deal of money could have been saved if this were done, before a new product was introduced.

Together with the funds for an institutional advertising campaign we suggest a fund to establish a going research organization, specializing in merchandising rather

than technical research, and headed by practical people. This would be the best investment that the industry could currently make.

Frozen foods offer a great future for those that are in the industry and perform their functions correctly. Some will go by the wayside, while others will flourish. Those that never should have entered the business have already left it and the industry has already had its house-cleaning. The market is much cleaner now and only a bright future is on the horizon for many. The industry has already reached its low and now is on the way up. Revival is in the offing, and we see the frozen foods industry becoming a necessity to the economy that we have here in the United States of America.

National Shipped Bank
First National Bank of Boston
J. L. & Sons, Food Brokers, Boston
Paul Amador & Co., Food Brokers, Boston
Max-Frost Frozen Foods, Inc., Boston
Galaxy Storage Warehouse, Boston
J. P. MacLennan, Boston
Albert Richards Co., Boston
Great Frozen Foods, Inc., Boston
Fairmont Frozen Foods Inc., Boston
Metropolitan Ice Co. Frozen Foods Division,
Boston
The Great Atlantic and Pacific Tea Co.
First National Stores
Stop and Shop Inc.
Jordan Marsh and Co., Boston
Arlington Food Products Lockers Inc., Arlington
Northwestern Frozen Food Lockers, Northampton
Mullins Food Products Lockers, Inc., Belmont
Belmont
Supermarket Market, Belmont
J. J. Murphy, Boston

Appendix A

Because of the scarcity of published data on the subject of the Marketing and Distribution of Frozen Foods, it was necessary to gather the material of which this thesis is based, from the primary sources that are located in the Massachusetts area. The information was obtained from people of responsibility in business establishments throughout the state and even though they were not quoted directly, all the information that they offered is incorporated in the body of the thesis.

We wish to thank the following firms for their help, co-operation, and participation in the survey and making this report possible.

National Shawmut Bank
 First National Bank of Boston
 J. Lutz & Sons, Food Brokers, Boston
 Paul Amadon & Co., Food Brokers, Boston
 Hot-Frost Frozen Foods, Roxbury
 Quincy Storage Warehouse, Boston
 Q. F. Wholesalers, Boston
 Albert Richards Co., Boston
 Pratt Frozen Foods, Inc. Boston
 Fairmont Frozen Foods Inc. Boston
 Metropolitan Ice Co. Frosted Foods Division,
 Watertown
 The Great Atlantic and Pacific Tea Co.
 First National Stores
 Stop and Shop Inc.
 Jordan Marsh and Co., Boston
 Arlington Frozen Food Lockers Inc., Arlington
 Northampton Frozen Food Lockers, Northampton
 Shelburn Falls Freezer Lockers, Inc., Shelburn
 Falls
 Brunswick Market, Belmont
 Jay Bushway, Boston

Frost-T-Maid, Boston
 Irons & Hassig, North Station, Boston
 Ralph's Frozen Food Shop, South Station, Boston
 Snowking Frosted Foods, Brookline
 Blood's Markets, Lynn
 Blood's Markets, Salem
 Sunnyside Spa, Lynn
 Sanitary Market, Salem
 Liberty Grocers Inc., Newburyport
 DeVerba Wright, Newburyport
 Brockelman's Market, Haverhill
 Brockelman's Market, Lawrence
 Brockelman's Market, Fitchburg
 Coughland's Market, Fitchburg
 Carpenter's Frozen Food Center, Greenfield
 Koch Market, Greenfield
 Center Star Market, Mattapan
 Crest Market, Winthrop
 Tupper's Market, Gloucester
 Andre's Food Land, Medford
 Robinson's, Newton Center
 Corner Market, Norwood
 Wellesley Frozen Foods, Wellesley
 Gagnon's Department Store, Lowell

There were however, many stores that were visited and observations made as to the condition that existed but no interview was obtained, either because it was not granted or because it was thought after the observations were made that an interview was not necessary. These firms are not included in the above list, but we wish to say that they are situated in every part of the state.

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